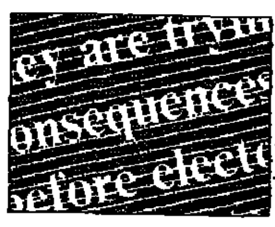
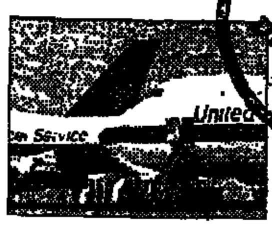
On top in Ottawa
Canada gambles on Campbell
Page 8



Re-inventing media
Create a newspaper to your own design
Page 14

A beached whale
Why Romano Prodi may break up Italy's IRI
Page 17



Special delivery
UPS rethinks its European business
Page 19

FINANCIAL TIMES

Europe's Business Newspaper

TUESDAY JUNE 15 1993 D8523A

Serb forces close in on Bosnian Moslem stronghold

Bosnian Serb commanders pressing ahead with their offensive against Gorazde, eastern Bosnia, said their troops were just 150 metres from Moslem positions in the town, the last government stronghold in the once mostly Moslem east of the country. Radio messages from Gorazde appealed for outside intervention as Bosnian Serbs appeared ready to attack following their claims that Moslem fighters were "slaughtering hundreds of Serbs" in surrounding villages. Page 18

Split at EBRD: Divisions at the European Bank for Reconstruction and Development surfaced at an inconclusive day-long board meeting as audit committee chairman Claes de Neergaard opposed plans for an early shake-up in the management structure. Page 3

Tokyo investment falls: Japanese overseas investment fell steeply last year, exacerbating economic difficulties in the US and other parts of the industrialised world. Page 4

Securities body delayed: The federal regulatory body to police the German securities industry is unlikely to be fully operational before 1995 or even 1996, it was disclosed yesterday. Page 18

Car sales drop in Europe: New car sales in western Europe fell to an estimated 973,000 last month, a drop of 17.9 per cent compared with May last year. In the first five months of 1993, more than 1m fewer new cars were sold in western Europe than in the same period a year before. Page 2

UBS challenged: Swiss financial securities investment company BK Vision has challenged new bylaws of Union Bank of Switzerland that allow the bank to raise capital without offering prior rights to shareholders. Page 19, Lex, Page 18

GPA cheaper than expected: GE Capital will be able to exercise its option to take control of the Irish aircraft leasing company GPA Group for under $200m – $100m less than expected – according to a draft prospectus. Page 19

BET cuts dividend: UK business services company BET cut its final dividend after reporting annual pre-tax losses of £9.8m ($15.1m) because of pressure for lower prices in its main markets. Page 19; Lex, Page 18; Details, Page 22

Timex chief quits: Peter Hall, president of Timex Electronics, the company in Dundee, Scotland, which is in dispute with its sacked workforce, resigned. Hopes of a settlement rose when Mohamed Saleh, Timex Electronics' head of human resources in the US, agreed to meet union officials and leaders of the sacked workers. Page 9

Apple Computer is to cut prices further in the US. The move could spark another price war in the US personal computer industry, where prices have fallen nearly 50 per cent in the last 18 months. Page 21

Help for Lloyd's Names: More than a dozen Lloyd's syndicates are to postpone part or all of their calls for cash, softening the impact of record losses on the Names who provide the London insurance market's capital. Page 9

S Africa chemicals merger: South Africa's two biggest chemicals groups, AECI and Sasol, are to merge some petrochemical and plastics interests to form a company with annual sales of more than R2.5bn ($784m). Page 22

Japan supermarkets link up: Daiei, Japan's largest supermarket chain, will have outlets countrywide when it absorbs regional chains Chujitsuya, Uneed Daiei and Daihana in March. Page 23

UK engineering companies hit: Engineering companies in Britain's West Midlands are suffering from softening demand in continental European economies, a survey shows. The competitive advantage created by sterling's devaluation is being diminished. Page 10

Venables loses soccer job: Terry Venables, chief executive of Tottenham Hotspur football club, London, lost his High Court fight to stay in his job pending the hearing of his bid to buy out chairman Alan Sugar. Page 9

EC bike reprieve: EC internal market ministers agreed a 100 brake horsepower limit for motorcycles registered in the Community after the end of next year. Member states will have the right to a five-year exemption from the rules – an option likely to be exercised by the UK. Page 2

Spy in the sky: The British army is to buy an airship for use in surveillance of Irish Republican Army guerrillas in Northern Ireland.

■ STOCK MARKET INDICES

FT-SE 100:	2895.5	(+23.7)
Yield	3.98	
FT-SE Eurotrack 100	1181.58	(–0.26)
FT-A All-Share	1424.50	(+0.7%)
Nikkei	20,397.35	(–103.60)
New York: lunchtime		
Dow Jones Ind Ave	3511.10	(+6.09)
S&P Composite	447.77	(+0.54)

■ US LUNCHTIME RATES

Federal Funds:	$3\frac{1}{16}$%
3-mo Treas Bills: Yld	3.085%
Long Bond	$104\frac{3}{32}$
Yield	6.794%

■ LONDON MONEY

3-mo Interbank	$5\frac{13}{16}$%	($5\frac{15}{16}$%)
Liffe long gilt future:	Jun $105\frac{11}{16}$	(Jun $105\frac{17}{32}$)

■ NORTH SEA OIL (Argus)

Brent 15-day (Aug)	$17.945	(same)

■ Gold

New York Comex (Aug)	$368.6	(367.5)
London	$363.95	(371.15)

■ STERLING

New York lunchtime:		
$	1.527	
London:		
$	1.5275	(1.5255)
DM	2.48	(2.475)
FFr	8.34	(8.3225)
SFr	2.2125	(2.21)
Y	160.5	(161.75)
£ index	79.4	(79.3)

■ DOLLAR

New York lunchtime:		
DM	1.628	
FFr	5.4695	
SFr	1.452	
Y	105.175	
London:		
DM	1.624	(1.6255)
FFr	5.46	(5.455)
SFr	1.449	(1.4495)
Y	105.1	(106.05)
$ index	63.7	(63.6)

Tokyo close Y 105.2

Austria	Sch30	Germany	DM3.30	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Greece	Dr300	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr80	Hungary	Ft172	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lw25.00	Iceland	IKr180	Neth	Fl 3.75	Slovak Rp	KSL45
Croatia	HRD5700	India	Rs40	Nigeria	Naira45	Slovenia	SLT220
Cyprus	C£1.00	Israel	Shk5.80	Norway	NKr16.00	Spain	Pta200
Czech Rp	Kcs45	Italy	L2700	Oman	OR1.50	Sweden	SKr15
Denmark	DKr15	Jordan	JD1.50	Pakistan	Rs35	Switz	SFr3.20
Egypt	E£4.50	Korea	Won 2500	Philippines	Pso45	Syria	S£50.00
Finland	FM12	Kuwait	Fils600	Poland	Zl 22,000	Tunisia	Din1.250
France	FFr9.00	Lebanon	US$1.25	Portugal	Es215	Turkey	L7000
						UAE	Dh11.00

Volkswagen considers 'dream' car plant for Spain

By Christopher Parkes in Hanover

VOLKSWAGEN has started talks with a consortium of Spanish banks and industrial companies on plans to build a factory to make "the cheapest car in the world".

Mr José Ignacio Lopez de Arriortúa, the German group's production director, said yesterday: "We are now in a period of analysis. We should be able to have a very clear picture by 1995. I am confident that we will have this dream plant."

The project for a plant in Mr Lopez's Basque homeland had been proposed to Seat, VW's Spanish subsidiary, by a consortium including Banco Bilbao Vizcaya, Banco Central Hispano, Spain's biggest electricity company Iberdrola and the Mondragon industrial co-operative.

Mr Lopez shrugged off warnings from General Motors, his former employer, that further legal action might follow if VW went ahead with the project, which seems closely modelled on the so-called Plateau 6 idea he and his colleagues generated while with the US group.

"Plateau 6 is one concept. I am not telling you what our concept is," he said. "We live in a free continent, and we are all free to develop ideas and make goods which we consider best for markets. We will do so if we want and no one can tell us otherwise."

The Spanish consortium is believed to have offered to build a factory with capacity for up to 200,000 cars a year in Amorebieta, near Bilbao, to be operated by VW and bought from the consortium at some unspecified date in future.

While Mr Lopez suggested in answer to questions that this was his ideal project, a separate written statement, attributed to Mr Lopez, said VW wanted only a "production laboratory" on a greenfield site to test revolutionary assembly methods under real operating conditions.

Mr Ferdinand Piëch, group chairman, recently confirmed that VW needed a cheap, bottom-end model, but the company would face severe political problems if it opened significant new capacity in Spain while cutting back output in Germany.

Capital investment plans for the vehicles business have been cut to around half the original planned level for this year – just DM6bn ($3.7bn). One of the main victims of the squeeze has been a new plant in Mosel, eastern Germany.

Mr Lopez claimed he had joined VW out of concern for Europe. "I don't want to see a disaster here like that in the US," he said. In the US, "foreigners" had built up capacity for more than 3m cars a year and were shipping a further 1.4m vehicles annually, "putting US makers under big pressure".

European car industry faces crunch, Page 21

Europe told to re-peg its currencies to D-Mark

By Peter Marsh, Economics Correspondent, in Basle

■ BIS annual report Page 4
■ Editorial Comment Page 17
■ Lex Page 18

EUROPE must re-peg its currencies to the D-Mark to head off the growing problems of protectionist pressures, Mr Alexandre Lamfalussy, general manager of the Bank for International Settlements, said yesterday.

Speaking after the Basle-based bank's annual meeting, Mr Lamfalussy said the present arrangement, in which Britain and Italy were no longer in the European exchange rate mechanism and the currencies of Sweden, Finland and Norway were floating, was "not sustainable in the longer term".

In a gloomy annual report, the BIS, owned by 32 central banks mainly in the industrialised world, said the gradual recovery under way in developed countries was unlikely to bring high unemployment down sharply.

The report highlighted difficulties caused by slow growth and high government deficits in many advanced nations, together with the "enormous" potential for conflict in the slow progress of Uruguay trade round talks.

In linking the ERM turbulence of the past year with trade, Mr Lamfalussy was underlining how some nations in the ERM – notably France – believed devaluation of the pound and lira enabled the UK and Italy to boost growth at the expense of other European nations by helping export competitiveness.

Mr Lamfalussy said devaluation of several European currencies in the past year could "cause problems" among their trading partners.

"If someone could prove to me that floating currencies are compatible with relatively stable real exchange rates then my argument wouldn't hold – but in the past this hasn't happened," he said.

The BIS said this year would see "further declines or at best a levelling out" in the economies in continental Europe, while signs of recovery in the US remained "fragile".

In unusually strong comments on those out of work, the bank said: "Especially in continental Europe, where 40-50 per cent of the unemployed have been without work for 12 months or more, unemployment constitutes a structural problem which cannot easily be resolved through faster output growth."

The report laid the blame for high unemployment on "high minimum wages and social taxes which raise labour costs, inflexible wage structures and real wages, restrictive work regulations and low labour mobility". It warned that "effective solutions become more difficult as time passes and the long-term unemployed progressively lose contact with the labour market".

In view of the wide gap between government spending and borrowing in many countries, the BIS said "very few" nations could boost economic activity by fiscal means.

Only Ireland and Japan of the main developed countries were

Continued on Page 18

Hot favourite: Rudolf Scharping, new leader of Germany's Social Democrat opposition, in front of a portrait of the late Willy Brandt. Page 18

Bombs turn Somalis against UN

Leslie Crawford sees gratitude transformed to hatred in Mogadishu

THE CHARRED remains of a young boy, burnt beyond recognition, were all that was left behind yesterday after US bombers had pounded ammunitions dumps in Mogadishu for the third night in a row.

Wailing women said as many as nine people had been killed in the pre-dawn strike. For Somalis, the nightly raids bring back the nightmare of the savage civil war that destroyed their capital.

The difference this time is that the attacks are coming from the foreign troops that were greeted with garlands of flowers and songs when the United Nations launched its humanitarian operation in Somalia last year.

"First they brought us food. Now they are bringing weapons," a young man said. "We fear they have come to kill us." The air attacks, which are aimed at destroying the hidden weapons stores of Somalia's most defiant warlord, General Mohamed Farah Aideed, have united the people of his south Mogadishu fiefdom in hatred of the 12,000 UN troops stationed in the capital.

Even residents who bear the scars of Gen Aideed's brutality say they must rally in defence of a man branded as a war criminal and a tyrant.

Yesterday was a day of mourning for the victims shot by Pakistani troops during a demonstration on Sunday. Heeding the call of Moslem prayers from loudspeaker vans, hundreds of families walked to a parade ground. They held their arms up to show the helicopters hovering overhead they were carrying no weapons. The helicopters fired warning shots; the crowd would not budge.

The swaying arms turned into clenched fists. From prayers, the voices curdled into angry slogans against the US and the UN. The commanders of the UN Blue Helmets are being dubbed "Somalia's new warlords".

"Look how they are behaving in our country," said Ms Quman Ahmed Gurhar, incensed with rage. "We don't want the UN here. We are prepared to fight to save Aideed. He is our leader.

Continued on Page 20
Somali gunmen accused of provoking Pakistani force, Page 6
Editorial Comment, Page 17

Clinton chooses 'moderate' woman for Supreme Court

By Jurek Martin in Washington

PRESIDENT Bill Clinton yesterday ended a controversial three-month search for a new Supreme Court justice by nominating Judge Ruth Bader Ginsburg to the highest US bench.

If, as expected, she is confirmed by the Senate, Judge Ginsburg, who is 60 and now at the federal appeals court based in Washington, will be the second woman to serve on the highest US court, joining Justice Sandra Day O'Connor. She will also be the first Jew to serve since Justice Abe Fortas resigned in 1969.

Mr Clinton said he had selected her because she was "progressive in outlook, wise in judgment and balanced and fair in her opinions". He praised her pioneering work for women's rights and was confident she could be a "consensus builder".

Mr Clinton chose Judge Ginsburg in preference to Judge Stephen Breyer of Massachusetts and Mr Bruce Babbitt, the interior secretary. Her candidacy emerged only at the weekend after the widely tipped Judge Breyer was revealed not to have paid social security taxes on a part-time cleaning woman.

Judge Ginsburg was appointed to the federal bench by President Jimmy Carter in 1980 after several years as general counsel for the American Civil Liberties Union, which is generally associated with liberal political causes. As a judge on a circuit principally engaged with regulatory issues, she is now rated a moderate. She is credited, in a 1985 ruling, with having opened the US natural gas pipeline business to competitive forces.

She was recently praised as a potentially ideal Supreme Court member by Justice Antonin Scalia, the court's most distinctive conservative voice.

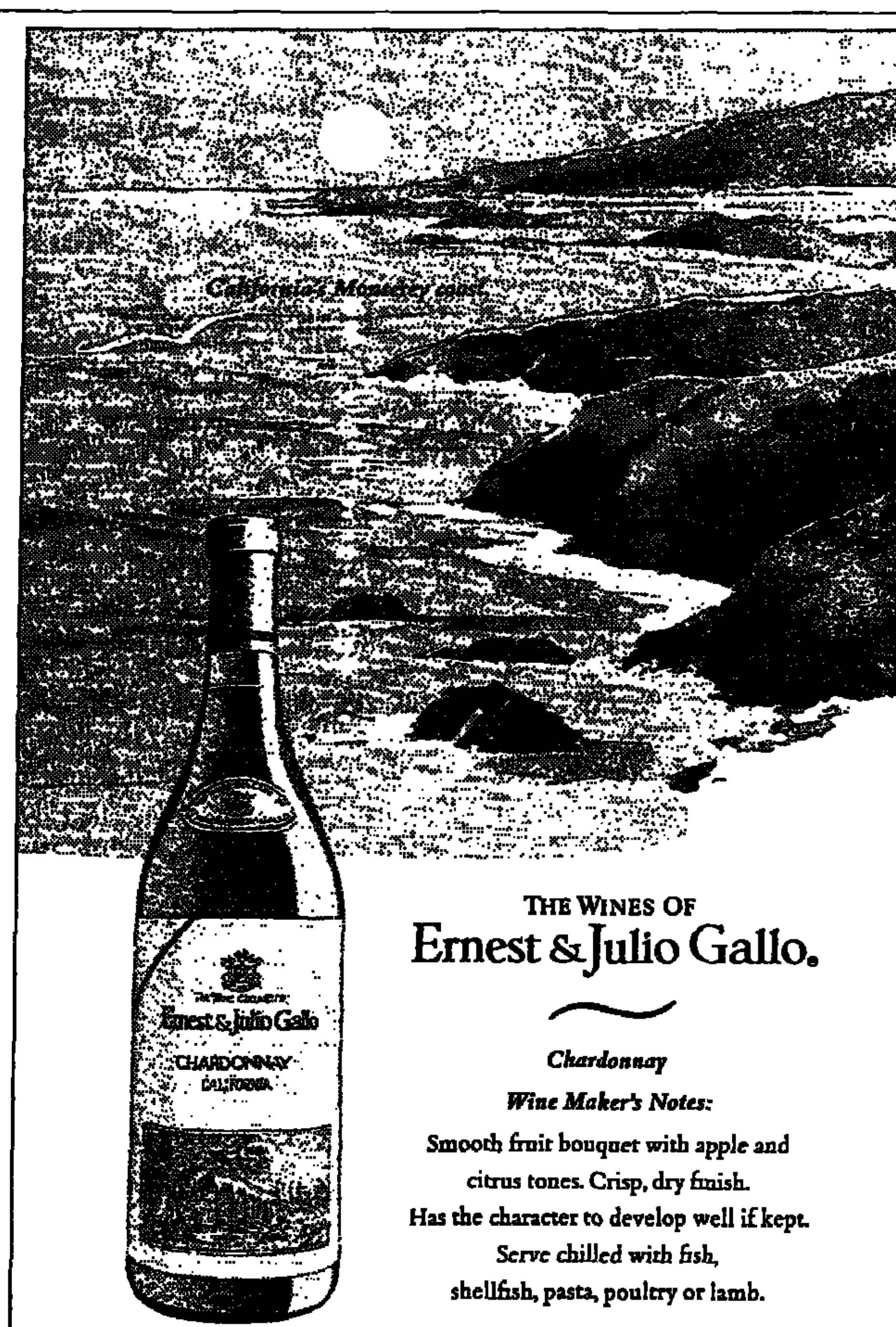
Some controversy attaches to a speech last year, in which Judge Ginsburg suggested that the court's 1973 landmark ruling, Roe v Wade, which guarantees abortion rights, might have gone too far and "halted a political process that was moving in a reform direction and thereby, I believe, prolonged divisiveness".

This speech, say some lawyers, explains why she was not initially a favoured candidate for the seat being vacated by retiring Justice Byron White.

But it has to be matched against a conspicuous earlier record of her successful argument before the Supreme Court that the 14th Amendment to the Constitution, passed in 1868 and covering citizenship rights, also should serve as protection for women.

Slow in hitting jackpot, Page 8

CONTENTS



LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

John Murray Brown puts the Moslem country's first female prime minister in her place

Women's advance reflects a fast-changing Turkey

THE ELECTION by Turkey's largest party of Mrs Tansu Çiller as party leader and the country's first woman prime minister was explained in one Ankara newspaper by the story that wives of the men who voted had threatened a collective withdrawal of conjugal rights if she did not win.

Mischievous perhaps – the newspaper or the wives, depending on the truth – but the story illustrates the point that there is a growing group of Turkish women asserting themselves in ways which to the outsider may seem at odds with Turkey's image as a conservative Moslem country. And Mrs Çiller is one such woman.

She is unlikely to be quite as forthright as one of Turkey's most eminent woman professors who told a recent conference that "women's equality must start in bed".

But her advocacy of women's rights seems certain to occupy a high priority in her policy agenda as she starts her first day as Turkey's new leader. The 47-year-old US-trained economist, is already well-known for having a husband who took her maiden name.

Drop into her office in the new prime ministry and you are as likely to find a group of Turkish girl guides lobbying her support, as a moustachioed male adviser on the economy.

Turkey is changing dramatically, and women offer dramatic illustration of those changes. Sociologists point out that the Turks were historically a matriarchal society.

Mustafa Kemal Ataturk, the country's founder, enshrined women's equal rights, gave them the vote in

> Advocacy of women's rights seems certain to occupy a high priority on Çiller's policy agenda

1932 before much of Europe, banned the Moslem "chador" or veil, saw women elected to the new parliament, even sent a women's team to the 1936 Berlin Olympics.

Women account for two in 5 physicists and chemists; one in six lawyers, judges and public prosecutors; one in six doctors; one in 10 government administrators and one in 30 managers of private corporations.

In 1991, Turkey appointed its first woman provincial governor. Previously the feeble reason given to exclude women from the post was that governors were required to travel on horseback – something which was deemed unseemly and quite possibly dangerous for a woman official.

By law women need their husbands' permission to work. Women are not allowed to remarry within a year after a divorce. A number of municipalities have established safe houses to treat women battered by their husbands, still a widespread phenomenon.

But it is among the less-educated and particularly in rural areas where women face the greater uphill struggle for their rights.

According to a study by the World Bank and the Erzurum University, women account for a 59 per cent of the labour force, a statistic reinforced by the briefest of contacts with the Turkish countryside where the sight of one man "herding" a team of women in a field of chick-peas is not unusual.

Mrs Semra Ozal,wife of the late president Mr Turgut Ozal, did much to raise the profile of women. Her Daisies foundation travelled the countryside converting thousands of religious marriages into civil contracts, giving women equal rights in inheritance and claims on children in a divorce.

The junior partners in the coalition, the Social Democrats have suggested a quota system in parliament to ensure an even hand for women. People point out that there were more women in parliament in Ataturk's time than today where there are just eight deputies in the 450-member chamber. The strongest female representation is in the right-wing Motherland party, with four women members. Mrs Çiller's True Path party has two.

In the old coalition, Mrs Çiller was one of just two women ministers. Her former ministerial colleague, Mrs Guler Ileri, a Social Democrat, was forced to resign, the only casualty of the coalition government, over allegations she purloined state funds allocated for a children's orphanage.

Today the only thing anyone remembers about Mrs Ileri is that she succeeded in having a coiffure for women opened in the parliament building.

Car sales plummet in western Europe

May's 17.9% decline means more than a million fewer vehicles sold in first five months of year

By Kevin Done, Motor Industry Correspondent

NEW car sales plunged by 17.9 per cent in west European last month to an estimated 973,000, the fifth successive month demand has fallen steeply from the corresponding period a year ago.

In the first five months alone more than 1m fewer new cars have been sold in west Europe than in the same period a year ago. Sales dropped by 17.3 per cent to 5.15m, according to industry estimates.

The sharp decline is increasing the strains between the European Community and Japan over the level of the latter's sales in Europe. The Japanese share of the west European market is estimated to have increased to 12.3 per cent in the first five months from 11.6 per cent in the same period a year ago.

Under intensified pressure from European carmakers, the European Commission has requested urgent talks with Tokyo before the August summer break, with a view to revising the present deal on Japanese exports to the EC this year. That was based on a forecast fall in the EC market for cars and light commercial vehicles of only 6.5 per cent.

According to the industry, new car sales both in May and in the first five months of the year were lower than a year ago in 15 of 17 west European markets. Higher sales were achieved only in Britain and Ireland.

The decline is still accelerating in Italy where year-on-year sales fell 27.8 per cent in May and by 21.1 per cent in the first five months. In Germany, Europe's biggest market, they fell by an estimated 20.8 per cent last month to 284,000 from 358,000 a year ago. Corresponding figures for Spain and France were 20.5 and 12.1 per cent respectively.

Only Britain showed significant growth in May. New car sales rose there by 11.9 per cent, albeit from a very low level after three years of recession.

Most leading carmakers in Europe have been forced to introduce extensive short-time working and are cutting their workforces severely in the face of shrinking profits or mounting losses.

Rover was the only one to increase sales volume in the first five months, with a rise of 8 per cent helped by the growth of the UK market and its own strong performance in the German, French and Italian markets from a small base.

Nissan is benefiting from rising production from its British and Spanish assembly plants, which is allowing it to increase its penetration of the protected southern European markets, where direct imports from Japan are still limited by quotas.

The company's sales in Italy jumped by 78.9 per cent to 20,347 in the first five months, and fell in Spain by only 0.3 per cent despite a 31.2 per cent decline in the overall market.

Among the big six volume carmakers in Europe, General Motors (Opel/Vauxhall) and Ford have gained some ground helped by the launch of new models. Volkswagen and Fiat are losing market share.

Fiat group, which includes Lancia and Alfa Romeo as well as Ferrari and Maserati, has suffered a serious erosion of its market share from the late 1980s, when it captured 14.9 per cent in 1988 and 1989. That share fell in the first five months of this year to only 11.9 per cent from 12.5 per cent in the same period a year ago.

WEST EUROPEAN NEW CAR REGISTRATIONS
January-May 1993

	Volume (Units)	Volume Change(%)	Share (%) Jan-May 93	Share (%) Jan-May 92
TOTAL MARKET	5,146,000	–17.3	100.0	100.0
MANUFACTURERS:				
Volkswagen*(incl. Audi,SEAT&Skoda)	871,000	–20.1	16.9	17.5
General Motors (Opel/Vauxhall, US# & Saab)	658,000	–15.0	12.8	12.4
– Opel/Vauxhall	631,000	–14.8	12.3	11.9
– Saab**	18,000	–23.6	0.4	0.4
Fiat (incl.Lancia, Alfa Romeo,Ferrari Innocenti,Maserati)	611,000	–21.2	11.9	12.5
Peugeot (incl. Citroen)	608,000	–18.7	11.8	12.0
Ford (Europe, US# & Jaguar)	600,000	–16.6	11.7	11.6
– Ford Europe	594,000	–16.9	11.5	11.5
– Jaguar	5,000	–4.5	0.1	0.1
Renault††	539,000	–17.3	10.5	10.5
Nissan	180,000	–10.4	3.5	3.2
BMW	167,000	–17.2	3.2	3.2
Rover†	144,000	+8.2	2.8	2.1
Toyota	142,000	–1.5	2.8	2.3
Mercedes-Benz	139,000	–29.5	2.7	3.2
Mazda	97,000	–23.2	1.9	2.0
Volvo††	73,000	–25.3	1.4	1.6
Honda†	67,000	–17.2	1.3	1.3
Mitsubishi	65,000	–14.7	1.3	1.2
Total Japanese	632,000	–12.5	12.3	11.6
MARKETS:				
Germany	1,464,000	–20.0	28.5	29.4
Italy	926,000	–21.1	18.0	18.9
United Kingdom	725,000	+8.9	14.1	10.7
France	693,000	–18.5	13.5	13.7
Spain	305,000	–31.2	5.9	7.1

#Cars imported from US and sold in western Europe.
*VW holds 31 per cent and management control of Skoda.
**GM holds 50 per cent and management control of Saab Automobile.
†Honda holds a 20 per cent stake in Rover vehicle operations.
††Renault and Volvo are linked through minority cross-shareholdings.

Source: Industry estimates

Britain wins EC reprieve for big motorcycles

By Andrew Hill in Luxembourg

BRITISH motorcycle enthusiasts have won a reprieve until the end of the century from technical rules which would ban the sale of high-powered machines in the European Community.

EC internal market ministers agreed yesterday on a 100 brake horsepower limit for motorcycles registered in the Community after December 31, 1994, in spite of another large and noisy demonstration by motorcycle enthusiasts in Luxembourg.

But member states will have the right to a five-year exemption from the rules. In practice, only the UK is likely to exercise that right. Other governments will not be able to prevent the riding of machines up to 125 brake horsepower, and motorcycles registered before the deadline will escape the restrictions, but EC countries will be allowed to outlaw the re-registration of high-powered motorcycles after 1994.

The UK has been vociferous in defence of the large motorcycles, which it claims are sold to a specialised market of expert riders, and do not reduce road safety in Europe.

The European Commission has been asked to submit a study of the safety record of the high-powered motorcycles by 1998.

Triumph, the revitalised UK motorcycle manufacturer, is one company which will benefit from the exemption. It hopes to produce nearly 7,000 motorcycles this year, but five of its eight models would be illegal under the EC rules. Even under the exemption Triumph would be prevented from exporting those machines to the rest of the EC after 1994.

● EC cosmetics makers will be banned from testing products on animals from January 1, 1998, if alternative methods have been developed. Ministers yesterday formally adopted a directive on the free movement of cosmetics, but without the stricter amendments proposed by the European Parliament in April, which would have banned all animal tests from the year 2000.

EC replay for some golden oldies

By Andrew Hill in Luxembourg

DEAD POETS and ageing rock stars could receive an unexpected boost in royalty payments from mid-1995, under harmonised European Community copyright rules agreed yesterday.

EC internal market ministers agreed that books and films should enjoy copyright protection for 70 years after the author's death, while musical recordings will earn royalties for 50 years from the date the record was first published or the performance broadcast.

The deal – agreed by a majority in spite of opposition from the Irish, Luxembourg, Dutch and Portuguese delegations – aims to end problems which could be caused by varying protection across the Community.

Without such a measure, certain governments were worried that publishers would escape paying royalties in high-protection member states by importing records or books from countries where protection was low or non-existent, taking advantage of the barrier-free single market.

But one side-effect of the new measure could be a temporary bonanza for performers and the heirs of authors for whom copyright protection has already expired in some parts of the Community.

For example, early Beatles recordings no longer earn royalties in Germany, which protects recordings for just 25 years. From July 1, 1997, however, the Beatles will again earn royalties on recordings and broadcasts of their early songs, until the new 50-year period expires.

The same rules will apply for books in Britain, which will have to extend copyright protection from 50 to 70 years after the author's death. That could mean a new royalties boom for the heirs of James Joyce and Virginia Woolf, for example. Copyright protection on their works expired last year, but will be renewed from 1995 until the 70-year deadline in 2012.

However, the directive should protect publishers and recording companies which rushed out special editions to coincide with the end of copyright protection. A special clause says member states should take action to protect the "acquired rights and legitimate expectations" those who took advantage of the old, unharmonised copyright system.

Recession forces France to trim interest rates

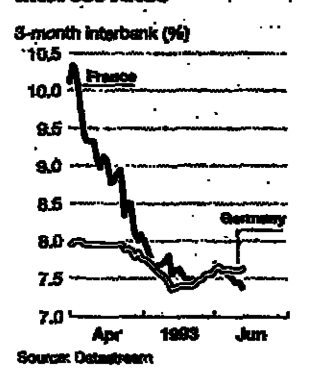
By David Buchan in Paris

FRANCE yesterday lowered a key official interest rate to combat deepening recession in the economy.

The Bank of France cut the intervention rate, at which it meets most of the financing needs of French banks, from 7.5 to 7.25 per cent, and its 5-10 day repurchase rate from 8.5 to 8.25 per cent. The main commercial banks said they would cut their base rates from 8.8 to 8.6 per cent on Thursday.

Last time the French authorities took the gamble of letting their rates fall below those of Germany – in October 1991 – they had to raise them a month later. This time, however, the rate reductions, which were welcomed Mr Hans Tietmeyer, deputy Bundesbank president, look likely to stick, with the franc staying strong inside the ERM yesterday.

Interest rates



Source: Datastream

In an interview before the new rates were announced, Mr Nicolas Sarkozy, budget minister, said that, given this year's expected FFr317bn (£38bn) budget deficit, "there is no more room in the budget other than that we have already used" to try to lift the economy out of recession. He acknowledged the reversal in policy: "We came to power convinced of the need to cut taxes, only to find we had to do the opposite to save social programmes."

For his part, Mr Edouard Balladur, prime minister, pleaded yesterday for people to withold judgment on his jobs and economic recovery programme until September because it could not produce any effects before then. Mr Sarkozy forecast the programme's first results would not be evident until early 1994.

The government looks set later this week to revise its estimate of the contraction in goods and services traded this year from 0.4 per cent to 0.8 per cent. However, it is pressing on with its programme to privatise some 21 state companies and to give the Bank of France autonomy in monetary policy.

Banks decide not to wait

By James Blitz, Economics Staff

THE French interest rates cut was a further indication that European central banks are not waiting for Germany to ease monetary policy.

The last easing in the Bundesbank's monetary policy took place more than a month ago when the central bank reduced the cost of lending D-Marks to commercial banks via its "repo" rate to 7.6 per cent. In spite of this, the D-Mark has remained rather weak against most currencies as dealers grow increasingly concerned by the scale of the German recession and the size of its budget deficit.

Pressures on the D-Mark have led central banks to think they can cut rates without fear of their currencies coming under pressure in the ERM.

Yesterday, the Bank of Portugal took a similar step to France's, cutting its key mop-up rate by ¾ of a percentage point to 11.25 per cent.

Mr Erik Hoffmeyer, Danish central bank governor, was also reported as saying that he would like to cut his country's interest rates as soon as possible, and would not necessarily follow the Bundesbank. Speaking at the meeting of central bank governors in Basle, he gave no indication of when this might take place.

France's move had no effect on the French franc yesterday, which closed unchanged at FFr3.363 to the D-Mark. However, the escudo closed lower at Es95.00 per D-Mark from a previous Es94.90.

Calls for reform of Community's new VAT system

By Andrew Jack

FT

THE European Community's new value added tax system is excessively complicated and costly and requires reform, Mr Serge Foucher, director of finance and accounting for Sony Europa, said yesterday.

Mr Foucher told the Financial Times international tax conference in London that the origin-based system introduced at the start of this year had proved a heavy administrative burden.

"We feel penalised because we have set up as a European company," he said. He told delegates that Sony had been forced to register an additional 26 times in EC member states to comply with VAT regulations, and employ 200 extra staff to amend its systems to the new requirements.

He called on the EC to require all countries to implement EC directives fully and consistently in place of the existing haphazard system, and to simplify the requirements for business transactions involving several different countries.

Sony's comments were supported by Mr Peter Jenkins, head of the VAT practice at accountants Ernst & Young, who called the new system "onerous and burdensome".

He said his clients complained of a lack of commercial awareness on the part of EC officials, and difficulties for UK companies of negotiating with customs officials in other member states.

The difficulties had been the direct result of the "hybrid" transitional VAT arrangements introduced in advance of the proposed move to a destination-based system in 1997.

The views were rejected by EC officials. Mr Peter Wilmott, director general of the customs and indirect taxation director in the EC Commission, called the abolition of customs controls at the end of last year "a great achievement".

He said work still needed to be done on an EC-wide system to exchange information for audit and control in the VAT network.

He suggested that officials needed to consider amendments to the existing VAT rules for privatised business, financial services and services linked to goods such as repair work. He stressed that there was a very tight timetable if the destination-based system is to be introduced by 1997.

Ms Valerie Strachan, chairman of HM Customs & Excise, said she was very pleased that more than 80 per cent of British companies were now filing the monthly "Intrastat" statistical returns required.

She claimed that an estimated £135m in net benefits to business last year of the new system, after one-off start up costs, was "not very far off the mark".

Super-union for Romania

TWO OF Romania's largest trade unions have merged to form a single union with 3.7m members, one-third of the country's workforce, writes Virginia Marsh in Bucharest.

The creation of the new union, CNSLR-Fratia, follows a failed general strike last month when the unions disagreed.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 6000 Frankfurt am Main 1, Germany. Telephone 49 69 156 850, Fax 4969 5964481, Telex 416193. Represented by Edward Hugo, Managing Director. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 6078 Neu-Isenburg 4 (owned by Hürriyet International).
Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.
FRANCE
Publishing Director: J. Rolley, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.
DENMARK
Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

EBRD board balks at early shake-up

By David Marsh, European Editor

DIVISIONS at the European Bank for Reconstruction and Development surfaced yesterday, as Mr Claes de Neergaard, chairman of the audit committee, opposed plans for an early shake-up in the management structure.

At an inconclusive day-long board meeting, Mr Jacques Attali, bank president, proposed appointing Mr Ernest Stern, deputy head of the World Bank, in a new post as number two at the EBRD.

Mr Attali, the focus of recent allegations of EBRD overspending, said Mr Stern had accepted the job in principle to help strengthen management.

However, Mr de Neergaard, the Swedish board member, who is overseeing an examination of alleged cost overruns, spoke out against any changes until the investigation was completed on July 15.

The subject of Mr Attali's own future was not broached at yesterday's regular board meeting. But several directors feel that an early decision on creating a new job for Mr Stern could pre-empt wider changes – including over Mr Attali's own position – which may become necessary once the audit report is concluded.

Mr de Neergaard's rejection of an early appointment of Mr Stern was backed yesterday by a number of other directors, including Mr Ron Keller, the director from the Netherlands.

Mr Attali, described in recent weeks as fighting for his job, is due to give the board today a detailed paper spelling out proposals for management changes.

In moves initiated by the Group of Seven (G7) leading industrialised countries, Mr Stern would take over as new senior vice president in charge of operations.

Mr Mario Sarcinelli, at present the vice president in charge of development banking, would take responsibility for management and administration, in an effort to meet complaints that the two-year-old bank has been wasteful and ill-run.

US urges rules on exploitation of cheap labour

By David Goodhart in Zürich

A SENIOR official in the Clinton administration yesterday called for stronger international labour regulation "so that businesses cannot play one country against another in the search for ever lower wages".

Mr Jack Otero, deputy under-secretary of labour, speaking at the International Metalworkers' Federation congress in Zürich, also said that the International Labour Organisation, whose conventions are meant to establish minimum standards, needed "strengthening".

Many labour organisations in the developed world are hoping that the US administration will play a more interventionist role in regulation, but Mr Otero would not be drawn on whether a social clause was required in any Gatt trade agreement. He did, however, emphasise that the US Labour Department was keen to see greater pressure on Malaysia, to allow full union rights in the electronics industry. Malaysia, where many multinationals now operate, has become a test case for international regulation.

A Gatt social clause was strongly supported yesterday by Mr Marcello Malentacchi, IMF general secretary, who said that workers in the Third World should not be unfairly penalised by companies and governments as they entered the world's trading system. He adds that the challenge facing policy-makers is to increase the living standards of people in the globe's South without destroying jobs and living standards in the North.

"We do not seek to lay down wages, which will vary according to the level of development of the country concerned, but we do consider that all the workers of a country have the right to form unions, to negotiate and to go on strike. Labour standards must be established so that worker exploitation is not the primary focus of economic competition," he said.

Mr Malentacchi said that the ILO should be the obvious agency to draw up a social clause for Gatt, but questioned whether the organisation had the "vigour" to do so. "It is, for example, the World Bank that is drawing up labour codes for African countries such as Mali and Senegal. It is not a banker's job to draft labour law any more than it is the ILO's task to write banking laws."

Mr Owen Bieber, president of the American United Auto Workers, warned that, without a proper social clause, the pending North American Free Trade Agreement (Nafta) would intensify pressures for downward harmonisation of wages and working conditions – "exactly the opposite of what should occur".

The disparity in wages of US and Mexican auto workers is as much as 20:1.

New arrest drags state-run group Stet further into the scandal

Italy's telecom corruption probe widens

By Haig Simonian in Milan

ITALY'S huge Stet public sector telecommunications group has been dragged further into the political corruption scandal with the arrest yesterday of Mr Francesco Silvano, managing director until earlier this month.

The detention of Mr Silvano, who gave himself up to Milan police, takes the investigations into the telecommunications sector a further rung up Stet's management ladder. Earlier arrests had involved executives of Stet subsidiaries.

Telecommunications have become one of the most active areas of investigation as magistrates pursue a number of leads involving contracts with the former ASST state telecom agency. Inquiries are also believed to be proceeding on suggestions that some telecom companies may have rigged bids. Last month, police arrested Mr Luigi Montella and Mr Salvatore Randi, managing directors of Stet's Sirti and Italtel subsidiaries.

Sirti handles network engineering while Italtel, in which AT&T of the US has a 20 per cent stake, is responsible for equipment manufacturing. The chairman and managing director of Stet's small AET subsidiary have also been detained.

Separately, Rome magistrates made three arrests following allegations of corruption at the Ministry of Posts and Telecommunications. The inquiries involve ASST, formerly controlled by the ministry, and broadcasting.

Magistrates also warned Mr Giorgio La Malfa, former leader of the Republican party, and Mr Oscar Mammi, a senior Republican MP and ex-posts minister, they were under investigation on allegations of receiving illicit funds and illegal funding of political parties.

One of the three men arrested, Mr Giorgio Medri, was a Republican MP and senior party official until last year. The arrests and warnings follow recent leaks that the posts ministry was a big source of funds for the political parties via kickbacks on telecommunications contracts and the reorganisation of broadcasting frequencies. Mr Davide Giacalone, a former assistant to Mr Mammi, is believed to have told magistrates L9bn ($6m) in kickbacks was paid between 1987 and 1990 to Mr Mammi. It is further alleged that two of the three arrested men demanded kickbacks from a small company, Federal Trade Misure, commissioned by the posts ministry to advise on the frequency reorganisation. The allocation of such a complex and sensitive task to an unknown company has already attracted the attention of magistrates.

In another line of investigation, magistrates arrested Mr Ugo Montevecchi, a former managing director of Fiat's Impresit construction arm, on allegations of corruption and rigged bidding for contracts. The arrest marks a blow for Fiat, which has been gradually returning to normal after the detention of a number of top executives in recent months, most of whom are now back at work. Mr Montevecchi had already been interrogated by Milan and Turin magistrates investigating other leads in the corruption scandal.

The latest allegations reportedly refer to kickbacks from Fiat Impresit to politicians for restoration projects at Italian museums.

The Bosnian Serb leader, Mr Radovan Karadzic, kissing the hand of Archbishop Seraphim, leader of the Greek Orthodox Church, during a visit to Athens yesterday. Mr Karadzic was to attend a rally to raise funds for the Bosnian Serb cause. He claimed Greece planned to invite Serbs and Croats to Athens in an attempt to stop the fighting in former Yugoslavia

Ex-head of German group jailed

By David Waller in Frankfurt

MR BERND OTTO, chief defendant in the long-running fraud trial involving the Co op German retail group, has been sentenced to four and a half years in jail.

Mr Otto, a former chief executive of the Co op, was found guilty on counts of fraud and accounts manipulation involving a total of approximately DM20m ($12.3m).

The court found the money had been transferred illegally to Swiss bank accounts for the personal use of Mr Otto and other former senior Co op executives. The charges date back to events in the mid-to-late eighties, when Co op was pursuing an aggressive expansion course.

East Ukraine speaks with quiet authority

Chrystia Freeland reports on a strike with an overtly political message

WERE IT not for the signs denouncing Ukrainian President Leonid Kravchuk, the public rally in the central square of the eastern Ukrainian city of Donetsk yesterday could have been mistaken for a massive civic picnic.

Many of the 35,000 demonstrators who converged on October Square to show their solidarity with the striking coal miners carried brightly coloured parasols to shield them from the summer sun. Miners, distinctive in their red hard-hats and coal-blackened faces, reclined on the lush green lawns surrounding the square to enjoy an open-air brunch.

The festive mood was facilitated by a thoughtful local government. The riot police and truncheons one might expect to see at a demonstration of militant coal-miners were nowhere in evidence.

The regional government even gave the strike committee offices in its massive white granite building and allowed the miners to use the steps leading into government headquarters as a podium.

But for all that, the wave of industrial unrest triggered by the miners' strikes which began last Wednesday has been an effective flexing of the muscles of industrialised eastern Ukraine.

The strikes, which have stopped work at 228 of the 253 mines in the Donbass region of eastern Ukraine and been joined by workers at some metallurgical and machine-building factories in the area, have pushed the political demands of the east to the top of the Ukrainian political agenda. The miners of western Ukraine, which have been as hard hit by last week's five-fold leap in food prices as their eastern comrades, have by and large not joined the strike.

But, according to observers in eastern Ukraine, unlike previous miners' strikes which have focused on pay increases for the coal sector, the main goal of this round of industrial action has been to give the eastern Ukraine, which is predominantly Russian-speaking, greater political power.

"This is eastern Ukraine's political revenge," said Mr Hryhori Nemyria, a professor of political science at Donetsk University. "After many years of the recruitment of Ukraine's political élites from the Donbass, it is western Ukraine which is now prominent. The current strike is an effort to turn the tables back again."

The first winner in this struggle is Mr Ekhim Zvehilsky, who has been catapulted from his job as mayor of Donetsk to the critical post of first deputy prime minister of Ukraine.

The links between Mr Zvehilsky's overnight political promotion and the strikes are strong: the normally quiescent Zasiadko mine, where Mr Zvehilsky used to work as director, was the first to take to the picket lines. Moreover, one of the strike leaders is Mr Zvehilsky's top political aide.

Mr Zvehilsky wasted no time in using his new job to push the main demand of the striking miners: a national referendum on whether to hold new presidential and parliamentary elections.

"Our young state is in jeopardy," Mr Zvehilsky said to the emergency session of parliament convened yesterday afternoon to debate the miners' demand for a referendum. "If we do not decide today to hold a referendum, then in three or four days there will be no reason to meet at all."

He warned that failure to meet the miners' demands could spark a wider strike which would bring the national economy to a halt.

By late yesterday, parliament had not yet taken a decision on whether to hold a referendum. If it does, the resultwould be difficult to predict. The ex-communist-dominated parliament is widely discredited and a referendum could be expected to result in parliamentary elections.

The president's position is more ambiguous. Ukraine's collapsing economy and escalating tensions with Russia have pushed the president's rating down in the opinion polls, but Mr Kravchuk is a skilled politician with a strong network of regional representatives, and, like his Russian counterpart, could manage to pull off a vote of confidence.

That would not please the miners of Donetsk, whose region voted strongly in favour of Mr Kravchuk, then perceived as a moderate alternative to nationalist politicians from western Ukraine, in the 1991 presidential elections.

"Kravchuk cannot lead and he does not understand the economy," said Mr Iuri Makarov, co-chairman of the strike committee. "People have now understood that he is not able to do anything for the state."

Russian stock market link urged

By Leyla Boulton in Moscow

RUSSIA should start planning a national stock exchange system now before the market is fragmented by the spontaneous proliferation of stock exchanges across the country, according to a report financed by the European Commission.

The report, by consultants Garside Miller Associates and solicitors Norton Rose, also makes a series of recommendations to protect investors from fraudulent practices likely to emerge with the market's rapid growth.

Although few company stocks are traded at present, their number is likely to grow rapidly as the government sets about trying to privatise about 6,000 state-owned enterprises this year alone. Existing rules and a proposed securities law which has yet to be adopted by parliament do not, for instance, prohibit "market manipulation" – the practice of trading solely to induce others to buy or sell an investment.

With Russia on the verge of its first takeover battles, the report also calls for rapid implementation of a takeover regime and more stringent disclosure requirements.

Because Russia spans 10 time zones, and existing exchanges are in fierce competition with each other, the Russian Stock Market Development Plan recommends the US model of linking competing exchanges in one common regulatory system.

Such a system would include provisions such as different computer systems being compatible. It would also institute common dealing rules and self-regulatory bodies to help police the market – although self-policing would have to be reinforced by an independent state agency.

The alternative system of a single stock exchange with different branches simply could not be implemented in Russia, although the report hopes that competition will eventually reduce the excessive number of exchanges – 80 are now registered with the authorities.

The report also warns of external risks to the securities market, such as the weakness of the banking system. It recommends that authorities urgently put together new and more extensive capital adequacy regulations to limit the risk of trouble in the banking sector spilling over into banks' securities operations.

As the report notes in its dead-pan fashion, "there is little respect for the rule of law in Russia". But it stresses the need for one international agency, such as the World Bank's International Finance Corporation to co-ordinate help so it is not wasted. For this purpose, it suggests the development of a "map" of the state of development of the market and external aid to it.

The report, available in Russian and English, can be obtained upon written request to Mr E Froyer, EC Co-ordination Unit, Radisson Slavyanskaya Hotel, Berezhkovskaya Nab 2, 121059 Moscow, or by sending fax to Ms Gerlinde Niehus at EC Commission in Brussels (fax 2951432).

Japan keeps cash at home

JAPANESE overseas investment fell steeply last year, exacerbating economic difficulties in much of the industrialised world.

Particularly affected was the US, a strong beneficiary of Japanese investment in the late 1980s, while in the European Community inward investment last year generally held up well in spite of signs of economic slowdown. Total world cross-border investment last year came to $158.5bn (£102.9bn), down 13 per cent on the corresponding figure for 1991.

According to the BIS report, foreign investment by Japanese companies, including capital spending and acquisitions, totalled $17.2bn last year, down from $30.7bn in 1991 and the $48bn invested the year before.

The report suggests that the main effect of much of the large Japanese foreign investment in the 1980s has been to create jobs and boost economic activity in the countries concerned, rather than to lead to large profits for the Japanese companies spending the money. It says the "flood" of Japanese overseas investment between 1987 and 1991, totalling $175bn, has "apparently yielded a very poor return". In the US last year, according to the report, Japanese investors recorded a net loss of $2bn in terms of more cash flowing out of their businesses than coming in.

Overall, last year saw a net *negative investment in the US* of $3.9bn.

That arose partly because the poor economic climate persuaded potential investors that they had better uses for their money.

*In terms of total world cross-*border investments, the US was responsible for the biggest share, contributing $35.3bn out of total world investment of this type of $158.5bn last year. This figure was 13 per cent down on the $182.2bn figure for 1991.

Investment inflows across borders in the EC were relatively high at $70.3bn last year, compared with $68.6bn the year before.

The UK received the biggest share of last year's investment with $19bn, followed by France with $16bn.

Global pattern of direct investment ($bn, annual averages)

	76-80	81-85	86-90	90	91	92*
Total outflows	39.8	43.6	165.9	226.0	182.2	158.5
Industrial countries, of which:	39.2	42.1	157.4	213.0	171.1	147.1
US	16.9	8.4	24.6	32.7	27.1	35.3
Japan	2.3	5.1	32.1	48.0	30.7	17.2
EC	16.9	20.8	74.4	99.4	90.9	82.5
Developing countries, of which:	0.6	1.5	8.5	13.0	11.1	11.4
Asia	0.1	1.1	7.5	11.4	9.5	10.4
Latin America	0.2	0.2	0.6	1.0	0.8	1.0
Total inflows	31.8	52.5	145.6	186.0	143.3	133.6
Industrial countries, of which:	25.2	34.9	122.6	156.2	101.8	83.9
US	9.0	19.1	52.5	45.1	11.5	-3.9
Japan	0.1	0.3	0.3	1.8	1.4	2.7
EC	13.5	12.8	54.5	86.0	68.6	70.3
Developing countries, of which:	6.6	17.6	23.0	29.8	41.5	49.7
Asia	2.1	4.9	13.3	18.6	24.0	28.0
Eastern Europe	0.0	0.0	0.1	0.3	2.4	3.3
Latin America	4.1	5.0	6.3	7.3	12.0	13.0

*Partly estimated

Source: BIS

Income inequalities of rich and poor widen

Peter Marsh looks at the annual report of the Bank for International Settlements

PEOPLE in south-east Asia are catching up rapidly with the western world in terms of income, while those in Africa and Latin America are falling further behind, according to the Bank for International Settlements' (BIS) annual report.

While the average person in China, South Korea, Taiwan, Singapore and Hong Kong experienced income growth of up to about 7 per cent during the 1980s, incomes in Latin America and Africa fell during *the decade, due to* economic stagnation and rapidly rising populations.

Illustrating the widening differences between the poorest and richest nations, the study says the poorest 20 per cent of *the* global population in 1960 received only 5 per cent of the world's income.

By 1990, this fraction had fallen still further – to 3.4 per cent. Over the same period, and excluding China where strong economic development in the 1980s has greatly eased poverty, the richest 20 per cent of the world's people saw their share of total incomes increase from 58.3 per cent to 64.6 per cent.

The study points out that better schools, curbs on population growth and factory investment to boost exports are all keys to increasing the wealth of the earth's poorest nations.

It says the experiences of the past 30 years, in which rich nations have increased their lead over the world's economic also-rans, "cast doubt on the widely held assumption that poor countries will generally gain, relative to more advanced countries, due to *the* spill-over of technology and capital inflows".

Between 1960 and 1990, the fifth of the world's population which lives in China increased its share of world incomes *from 7.3 per cent to* 11.5 per cent.

Economic advance in China was particularly substantial during the 1980s, when the income of the average person increased 6.9 per cent a year. Over the same period, incomes in the rapidly industrialising bloc of South Korea, Taiwan, Singapore and Hong Kong expanded by 5.6 per cent a year.

However, during the 1980s, per capita incomes in Latin America and Africa fell by 0.8 per cent and 0.3 per cent a year respectively.

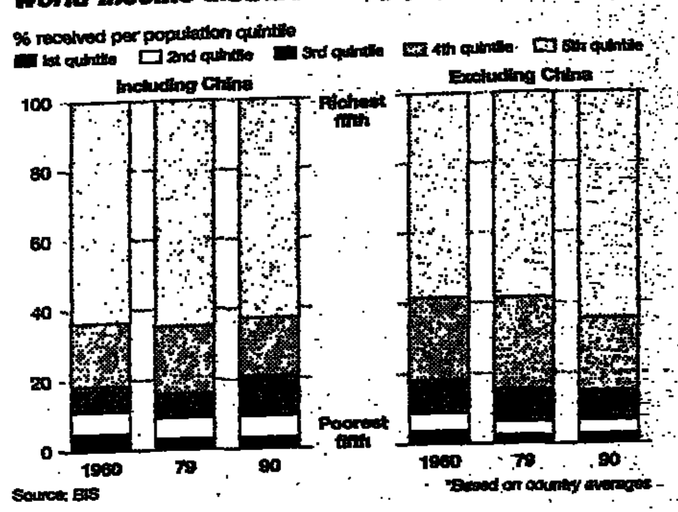
This was despite good progress in both these regions during the 1960s and 1970s, when *the comparable figures had* been between 2 per cent and 3.1 per cent.

In 1990, the average citizen in South Korea, Taiwan, Singapore and Hong Kong received an income only 17 per cent below the average in the rich industrialised world – this is substantially better than in 1960, when incomes were 69 per cent less than in the west.

However, progress in this respect was markedly different in Latin America and Asia, where in 1990 incomes were roughly one-third and one-tenth respectively of the equivalent figures in the developed world.

Thirty years earlier, the corresponding fractions had been significantly higher, at 41 per cent and 17 per cent respectively.

World income distribution by population group*



Source: BIS

*Based on country averages

UK loses most jobs in financial services sector

THE shake-out in employment in financial services in the UK has been much greater than in any other comparable country, underlining how the recession has hit what was once regarded as a high-growth industry.

The BIS report says employment in financial services in the UK dropped by 10.7 per cent between 1989 and last year. Employment in this field in the US fell over the same period by 0.4 per cent, while in France it grew 0.6 per cent.

The study says the falls in numbers working in this area of industry "can be attributed to automation and excess capacity" in the financial sector. Another aspect was the high growth in employment in this field in many countries, including Britain, during the economic upswing in the 1980s.

In 1990 the financial services industry in Britain employed 2.8m people, or roughly one-eighth of the total workforce and nearly double the comparable number in 1979. During the 1980s, employment in this *field grew particularly fast* in insurance, property-related services and banking.

The reduction in numbers employed in this sector in Britain since 1989 compares with the 3.9 per cent gain in employment in the Japanese financial services industry over the same period. In Italy the increase in employment between 1989 and 1992 was 4.8 per cent, while Spain, Australia, Canada and Switzerland saw comparable increases of 12 per cent, 2 per cent, 0.7 per cent and 0.5 per cent respectively. Of the other nations studied in the report, Sweden and Norway saw falls in employment in this area of 2.3 per cent and 0.7 per cent. The analysis fails to give comparable figures for Germany, where the financial services industry in recent years has seen modest growth as part of general increases in employment in non-manufacturing areas.

Economic recovery 'held back by a lack of co-ordination'

ECONOMIC recovery in the industrial world may be held back by a lack of international co-ordination of economic policy and a reluctance to use fiscal measures to boost demand because of worries about growing public deficits, the Bank for International Settlements warned yesterday.

In its annual report, the bank also says inflation targeting may not succeed in providing stable economic policies in those countries such as the UK which have stopped linking their exchange rates to the D-Mark.

The BIS puts much of the blame for last year's crisis in the European exchange rate mechanism on the lack of willingness by governments to consider "preventative parity adjustments" in exchange rates prior to the emergence of severe market strains.

It concludes that "adjustments ultimately had to be made in conditions of crisis, precipitately, triggering speculative attacks even in cases [of specific currencies] where the fundamentals were sound".

With special reference to Britain which, having left the ERM, has introduced a target of keeping underlying inflation to less than 4 per cent, the report says "it is questionable" whether such targets can succeed in helping to bring about stable economic policy.

"Given the lags with which monetary policy has an impact on inflation, the effectiveness of policy in meeting inflation objectives can be judged only after a long delay."

It warns that the credibility of such targets may "take time to establish in countries which have changed the framework of policy several times in recent years and adopted inflation targets only after a substantial depreciation of their currencies".

Prospects for continental Europe look poor. Industrial production is falling, gross domestic product stagnating and unemployment and budget deficits rising

In generally gloomy comments about the outlook, the BIS – owned by 32 central banks from the developed world and former communist countries in eastern Europe – says easing in monetary policy in several countries has so far had little effect in stimulating economic activity.

While a return to growth seems likely in the US and the UK, prospects for continental Europe look poor "with industrial production declining, gross domestic product at best stagnating and unemployment and budget deficits rising".

Also lack of progress in international trade talks means "the potential for conflict is enormous" in the area of protectionist measures.

However, more hopeful news comes from relatively good growth in some developing countries, especially in south-east Asia, the general absence of marked inflationary pressures in much of the developed world, and good productivity growth in some countries.

Warning for central bankers

THE world's central banks will have to improve their strategies for exchange rate management if they are to avoid further spells of currency turbulence, according to Mr Alexandre Lamfalussy, the BIS's general manager.

Writing in the annual report, Mr Lamfalussy says monetary authorities in industrial countries need *to back up efforts to* manage currencies by buying and selling them with interest rate changes.

However, such exercises can only work if they do not run foul of sentiment on the world's *financial markets*, which have increasing powers to force exchange rate adjustments. The BIS general manager says: "The authorities cannot therefore afford to ignore the crucial role of expectations [in financial markets]. If they want to meet exchange rate targets they will have to influence these expectations, or at least avoid giving rise to adverse ones."

Elsewhere in the report, the BIS suggests governments were guilty of a "piecemeal approach" to managing the turbulence in the European exchange rate mechanism last year. Instead of arranging a *general realignment of the* currencies in the system, they allowed financial markets to force events, with the result that individual currencies had to be devalued one by one, or, in the case of the Italian lira and sterling, pushed out of the mechanism. With about $1,000bn (£649bn) a day traded on the world's currency markets, the power of investors to influence events is such that "*even in the face of an attack* on a currency whose fundamentals are sound, intervention [by central banks to buy or sell currencies] now had to be greater than in the past".

On a similar theme, Mr Lamfalussy *says an additional* reason for governments' reduced ability to control exchange rate movements has been the "emergence of an activist asset and liability management culture, encouraged by the successive waves of financial innovation and accelerating advances in information systems and communications technology".

Turning to the economic outlook, Mr Lamfalussy is moder*ately optimistic about the pos*sibilities of a sustained upturn across the industrial world. He says investment has generally been resilient, savings have increased and productivity growth is increasing in many *countries, not only in manufac*turing but in services.

Portfolio flows across borders stay at high level

CROSS-BORDER financial transfers fell back slightly last year but remained at high levels.

Flows of portfolio capital, *covering such areas as* bonds, equities and other securities, came to $238bn from $274bn in 1991 and $152.8bn the year before, according to the BIS report.

In many countries, portfolio *capital transfers are now much* higher than flows of money caused by payments of physical goods.

This underlines how different countries' capital accounts are more important than their trade accounts in determining the value of international currencies.

Investment by the UK and Japan, who were the biggest *players in 1991, declined*, while US investment increased somewhat and continental European investment rose sharply, with German investment setting a new record of $43bn (£28bn).

Inflows into Japan "all but evaporated", partly because of low long-term interest rates, while flows into Germany were high, partly due to the high level of the D-Mark.

Investments in capital into continental Europe now account for more than half of the transfers of this sort in the industrial world. US portfolio investment came to $48.6bn last year, up from $45bn the year before, while the EC, excluding the UK, accounted for transfers of $92.3bn, up from $69.2bn.

Portfolio capital movements in industrial countries ($bn, annual averages)

	76-80	81-85	86-90	90	91	92*
Total outflows, of which:	15.0	60.6	185.0	152.8	274.0	238.0
US	5.3	6.5	13.6	28.8	45.0	48.6
Japan	3.4	25.0	85.9	39.7	74.3	34.4
UK	2.3	13.6	28.1	29.2	51.6	47.3
Other EC	3.8	10.4	44.4	47.2	69.2	92.3
Total inflows, of which:	39.9	77.8	184.6	154.9	374.6	308.5
US	5.2	29.4	44.7	-0.9	51.2	65.0
Japan	5.1	12.6	26.9	34.7	115.3	-8.2
UK	2.3	3.5	22.1	9.4	28.7	29.6
Other EC	9.7	18.5	57.3	85.0	123.6	168.9
Equity inflows, of which:	5.0	12.4	24.4	-18.0	79.0	20.0
US	1.8	3.4	4.9	-14.5	9.2	-11.2
Japan	1.0	2.1	-11.6	-13.3	46.8	-8.7
UK	0.5	1.4	10.1	2.6	5.4	9.4
Other EC	1.1	2.4	13.2	7.0	10.9	8.1

*Partly estimated

Source: BIS

Japanese banks 'short on details'

UNCOVERING details about loan problems in Japan is made more difficult by limited statistics provided by Japanese banks on borrowers which run *into difficulties, the BIS* report says.

In a section on financial distress in the banking system, it says loan losses in companies or banks "can have serious implications" for economies, even though these are often difficult to assess.

The report says an important question is the extent to which information known to banking authorities about banks' balance-sheets is publicly disclosed – an area where standards differ markedly between different countries.

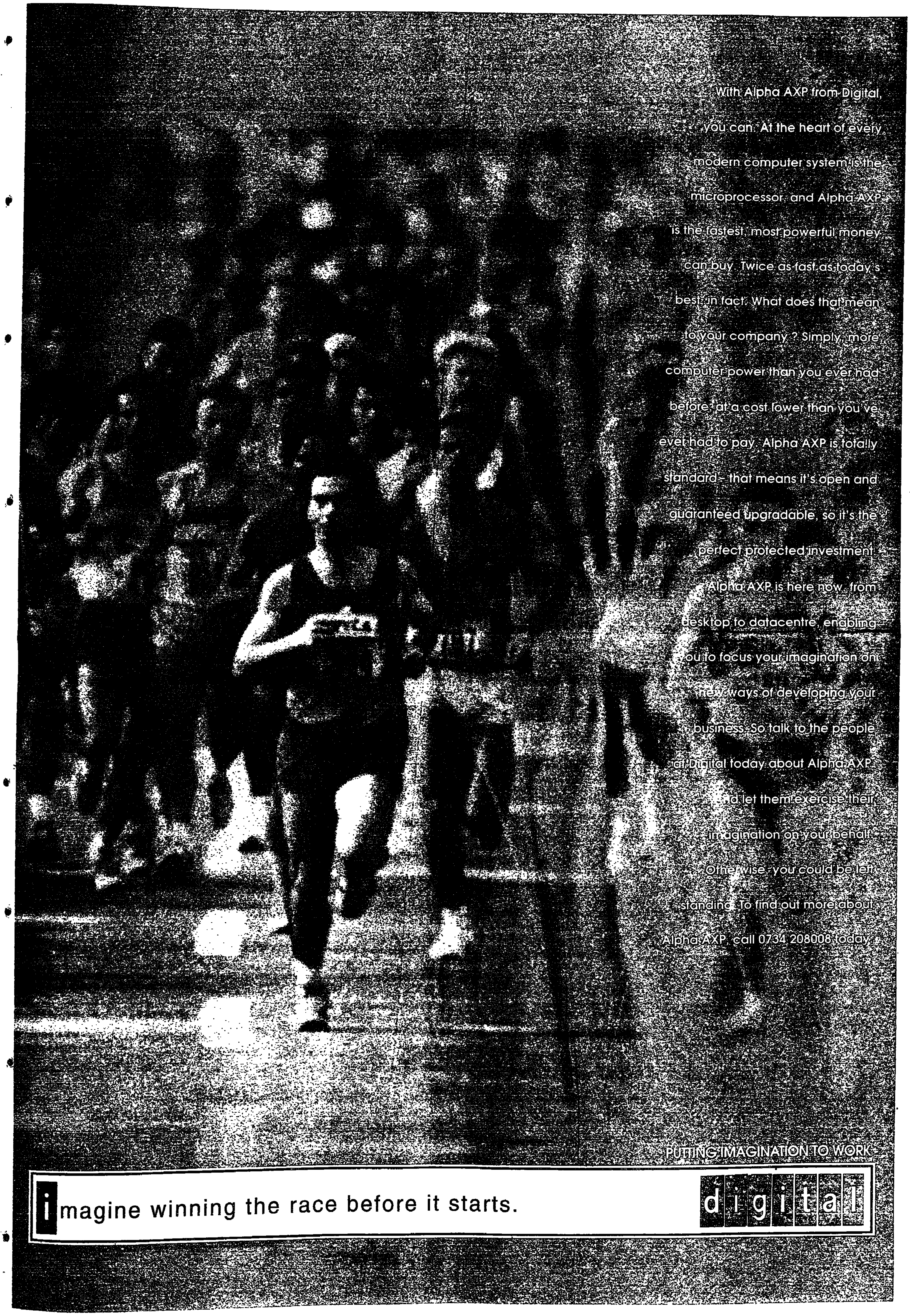
The BIS says: "The limited statistics on non-performing loans make it particularly difficult to assess asset quality in the case of Japanese banks."

The BIS emphasises that in the case of 21 big Japanese banks the information of this kind covers only loans of a specific period. Loans granted which fail to meet the criteria for reporting suggest that in Japan "the actual scale of problem loans is likely to be larger" than would appear from an examination of publicly available documents.

The report says banking authorities should identify problem loans early and take quick action to tackle them.

See Leader Page

هكذا من الأصل


With Alpha AXP from Digital, you can. At the heart of every modern computer system is the microprocessor, and Alpha AXP is the fastest, most powerful money can buy. Twice as fast as today's best, in fact. What does that mean to your company ? Simply, more computer power than you ever had before, at a cost lower than you've ever had to pay. Alpha AXP is totally standard - that means it's open and guaranteed upgradable, so it's the perfect protected investment. Alpha AXP is here now, from desktop to datacentre, enabling ou to focus your imagination on new ways of developing your business. So talk to the people at Digital today about Alpha AXP nd let them exercise their imagination on your behalf. Otherwise, you could be left standing. To find out more about Alpha AXP, call 0734 208008 today.
PUTTING IMAGINATION TO WORK
imagine winning the race before it starts.
digital

Somali gunmen accused of provoking Pakistani force

By Michael Littlejohns, UN Correspondent, in New York

THE UNITED Nations yesterday defended the actions of Pakistani troops under its command, which left many civilians dead in Mogadishu at the weekend, and charged that Somali gunmen had fired on the unarmed demonstrators as well as attacking the UN soldiers.

It was the first official information that Somalis were involved in shooting at the crowd. A UN report on the bloody incident said the demonstrators, with women and children in front, had earlier opened fire on the Pakistanis in "a staged incident".

Mr Kofi Annan, head of UN peacekeeping operations, briefed the Security Council yesterday. There was no indication there would be any change in the rules of engagement for the UN force.

Meanwhile, Mr Joe Sills, the UN spokesman, reminded reporters that Mr Boutros Boutros Ghali, the secretary general, had repeatedly but in vain tried to persuade the US to disarm the Somali factions after US troops entered the country in December.

"Everybody would have been much better off if it had been done sooner," he said. The UN force that replaced the Americans last month has made disarming warlords and their followers a high priority.

UN officials did their best to justify the Pakistani troops' actions. Mr Annan said the soldiers, who lost 23 of their colleagues in a Somali ambush 10 days ago, behaved "professionally". But if there were any evidence of wrongdoing those responsible would be disciplined. Mr Sills said an "absolutely routine" investigation was under way.

Mr Annan, who is from Ghana and is the first national of a third world country to take charge of a UN peacekeeping operation, stressed that the troops were serving in a country "in a state of chaos".

Mr Boutros Ghali discussed the situation in Vienna yesterday with Mr Warren Christopher, the US secretary of state, during a break in the human rights conference there.

In a statement issued on his behalf in New York, he accused the warlords of having "recklessly resorted to inciting crowds to threaten the security" of UN troops and of using women and children as "human shields". Notwithstanding extreme provocation, the soldiers had reacted with restraint, as a result of which civilian casualties had been "kept to the minimum".

See editorial comment

Dalai Lama refused entry

UN human rights row

By Patrick Blum in Vienna

THE UNITED Nations World Conference on Human Rights, the first in 25 years, opened in Vienna yesterday amid controversy and strong criticisms from independent human rights organisations which denounced the organisers' decision not to allow the Dalai Lama, the Tibetan spiritual leader and campaigner for human rights, to attend the opening ceremony.

The Dalai Lama unwittingly became the symbol of what many non-governmental organisations (NGOs) regard as the double standards set by the UN and member states when it comes to human rights issues.

The Dalai Lama, a Nobel Peace prizewinner, was barred from attending the ceremony following objections to his presence from China. The decision brought an outcry and caused a boycott of the opening ceremony by 14 Nobel Peace prize laureates.

Mr Pierre Sane, secretary general of Amnesty International, said: "Is this the message the UN World Conference wants to send to the world this morning? Is this what is meant by a commitment to human rights – that a man of peace like thr Dalai Lama is forbidden entry? We are appalled by this decision."

The row symbolised the enduring and at times bitter debate between advocates of the "universality" of human rights – represented primarily by the developed countries of the north – and many developing countries which prefer to stress economic development and cultural differences, and who see the strictures of the north as badly disguised interference and imperialism. More than 100 countries are represented in Vienna.

Mr Boutros Boutros Ghali, the UN secretary general, in his opening speech tried to steer a middle road but he could not avoid the debate over "interference".

He suggested the international community had a duty to act against states that flouted human rights and abused their people.

Li Peng in public eye after 7 weeks

By Tony Walker in Beijing

MR LI PENG, China's prime minister, yesterday made his first public appearance in seven weeks and struck an active pose in an apparent attempt to counter speculation that a lingering illness had weakened him politically.

But western officials and Chinese observers said it was too soon to judge whether Mr Li would be able to resume a full workload. Mr Li, who had last been sighted in public in late April, received Dr Mahathir Mohammed, the visiting Malaysian prime minister, at a ceremonial welcome yesterday in the Great Hall of the People, before adjourning for talks.

He showed no obvious sign of recent serious illness but, according to reporters present, he stiffened without responding directly when Dr Mahathir, a medical practitioner, enquired about his health during pleasantries that preceded their talks.

Chinese officials had initially explained Mr Li's disappearance from public view by saying that he was suffering from a bad cold. But reports have circulated widely that he suffered at least one, and possibly two, heart attacks.

Mr Li, accompanied by his wife Mrs Zhu Lin, walked fairly briskly as he escorted Dr Mahathir. He also posed smilingly for photographers, as if to reinforce the point that he had recovered.

Later, he conducted 80 minutes of formal talks with the Malaysian leader, in which the two shared similar views on human rights. "For a developing nation, human rights are in the first place the rights to independence, existence and development," Mr Li was quoted as saying.

Dr Mahathir is said to have replied: "Foreign forces always seek to impose their social systems and concepts of values upon us, so as to disrupt our countries and control us."

A western official said that some weeks would have to pass before it was clear whether Mr Li could fully resume his responsibilities. "If he has had a heart attack, even a mild one, he should avoid stress and long working hours," she said. "If he is only able to manage one or two meetings a week, it is unlikely he would be able to continue as premier for very long."

Mr Wu Jianmin, foreign ministry spokesman, told reporters that Mr Li's recovery was "very good" and that he was resuming all his duties. "As Premier Li Peng is getting better and better with his health, he will certainly have more diplomatic duties to perform," Mr Wu said.

Mr Li's illness became public on April 26, when he suddenly cancelled a meeting with Philippine President Fidel Ramos. He was subsequently obliged to postpone a five-nation tour of central Asia.

Li: heart attack rumours

Japan 'to hold interest rates' as yen rises

By Charles Leadbeater in Tokyo

JAPAN will not adjust interest rates to stem the yen's continued rise against the dollar, Mr Yasushi Mieno, the Bank of Japan's governor, said yesterday after the dollar fell to an all-time low of Y105.20 at the close of trading in Tokyo.

Mr Mieno's remarks at his regular press conference are likely to fuel a further rise in the yen over the next few days, say Tokyo foreign exchange dealers. The dollar fell by Y1.12 in Tokyo yesterday.

Many Tokyo dealers believe the dollar will continue to slide against the yen until the US authorities intervene to support the dollar to prevent US import prices and inflation from rising.

The yen's rise is being fuelled by several factors, chiefly the rising Japanese trade surplus. US-Japanese government talks over the weekend in Washington failed to agree a framework for cutting the surplus.

Mr Mieno's rejection of a change in monetary policy is part of a subtle shift in Tokyo's approach to the yen's rise, which may senior officials privately acknowledge is heading for Y100 to the dollar.

In late April, when the dollar fell sharply from about Y115 to about Y110, the Bank of Japan joined a fierce attack on the Clinton administration for allegedly encouraging the yen to rise. Business leaders and politicians warned that the yen's appreciation could choke off the recovery of the Japanese economy.

In contrast the yen's most recent rise to about Y105 has not been accompanied by criticism of the US. The government's claim that international co-ordination to stabilise exchange rates, which Tokyo says was agreed at an April meeting of Group of Seven finance ministers, is looking increasingly tattered.

Instead Tokyo policy makers now acknowledge that the dollar will probably stop falling only when Washington decides to support the US currency.

Mr Yuji Tanahashi, vice minister of the Ministry of International Trade and Industry, warned US inflation would soon start rising, threatening a rise in US interest rates, if the dollar fall continues.

The change of tone is not simply a reflection of the Japanese authorities' powerlessness in preventing the yen's rise. It also reflects a reassessment of the impact upon the economy.

The Bank of Japan believes that in the short term the yen's appreciation could stifle the incipient recovery in the Japanese economy. However it believes in the long run the Japanese economy may benefit as manufacturing companies will become more efficient to cope with the yen's rise.

Mr Mieno emphasised yesterday he would take into account both the positive and negative effects of the yen's rise in deciding the bank's policy.

Equally significant were comments by Mr Sieroku Kajiyama, secretary general of the ruling Liberal Democratic party, that a stronger yen could be tolerated in the long run.

Mr Mieno said it was still too early to say that the Japanese economy was bottoming out as signs of recovery were too weak. The question of whether the economy has hit the bottom of the cycle has sharply divided economic ministers over the past week.

Malawian tea estate workers queue yesterday to vote in a referendum on one-party rule. The ballot has aroused great enthusiasm, and opposition leaders claim the vote with bring an end to 30 years of rule by President-for-life Kamuzi Banda.

Mehta may turn state witness

MR Harshad Mehta, the flamboyant stockbroker at the centre of India's biggest financial scandal, has offered to be a state witness and testify about possible pay-offs to politicians, Reuter reports from New Delhi.

He would thus gain immunity from prosecution in exchange for testifying about a Rs10m (£210,000) political payoff, said Mr Ram Jethmalani, his lawyer.

Mr Mehta, 38, has been charged with bribery, fraud and currency violations in the scandal, which was exposed in April 1992. He is one of several brokers and bankers accused of involvement in the scandal, in which money is alleged to have been siphoned from the interbank securities market to help pump up prices on the then booming Bombay stock exchange.

Mongolian bank trial starts

Two ex-governors of Mongolia's central bank and three other bankers were put on trial yesterday on charges they virtually wiped out the country's foreign exchange reserves by losing $82m on ill-advised deals, Reuter reports from Ulan Bator.

Mr Gochoogiyn Khuderchuluun and Mr Naidansurengiyn Zhargalsaikhan, his successor, are charged with dereliction of duty and abuse of position after a series of foreign exchange deals in 1990-91.

"Astonishing and unbelievable," diplomats quoted a banker as saying after seeing the traders' books. "A guidebook of classic mistakes in forex dealing."

Philippines has new central bank

Philippine President Fidel Ramos signed a law to create the Central Monetary Authority to replace the heavily-indebted central bank, Reuter reports from Manila. "The Central Bank was in a state of decrepitude, haemorrhaging from a huge deficit amounting to more than 300bn pesos (£7.4bn)," Mr Ramos said.

UK-China talks

China and Britain began a fifth round of talks yesterday on the political future of Hong Kong, with both sides vowing to maintain a positive attitude despite few signs of progress, Reuter reports from Beijing.

Nigerian lead

Mr Moshood Abiola, a millionaire Moslem businessman, has taken a clear lead in Nigeria's presidential election, first official results showed yesterday, Reuter reports from Lagos.

Jordan near London Club accord

By James Whittington in Amman

JORDAN is on the verge of a $1bn (£650m) debt rescheduling agreement with the London Club of commercial creditors which is said to give among the best terms ever obtained by a Third World debtor country.

After many rounds of tough negotiations, the London Club has offered a draft agreement which will give direct and indirect relief of around 58 per cent of the kingdom's gross debts to the banks.

The formula presents the commercial creditors the option of either 35 per cent discounted bonds, or par bonds, both payable after 30 years and with low interest rates. Jordan has stipulated that creditors must opt for at least 35 per cent of the debt to be covered by discounted bonds.

The London Club had been wary of setting a precedent which other debtor countries would then request. But Jordan, which boasts an impressive economic record since its IMF adjustment programme began in the autumn of 1991, was supported in its hard bargaining by the IMF. It will now replace Argentina as the Club's most favoured Third World debtor.

Mr Sami Qammo, the kingdom's new finance minister, is due to go to London at the end of June to finalise the agreement.

Despite the kingdom's overall success with the adjustment programme so far, the London Club's offer comes at a time when Jordan is facing increasing difficulties in implementing certain IMF strictures.

The government had been expected to introduce a controversial sales tax before debt rescheduling took place. But faced with fierce opposition, especially from the private sector, the idea was dropped.

Instead Mr Qammo last week announced amendments to the kingdom's old consumption tax which he described as "a compromise with the IMF". Fuel and electricity price increases have also been announced recently.

Jordan's total external debts are around $6.5bn, or 140 per cent of gross domestic product. The Paris Club of creditor governments and lending agencies is due $4.5bn. The rest is owed to Russia, former East bloc states, Arab lending groups and the London Club.

A Paris Club meeting is scheduled for July 1993 and western diplomats in Amman express confidence that further debt rescheduling will be agreed to. "Most western countries are sympathetic towards Jordan and appreciate its moderate political stand. I think they want to help," says one diplomat.

Reform faction may quit LDP

By Robert Thomson in Tokyo

LEADERS of Japan's ruling Liberal Democratic party yesterday conceded that they cannot reach agreement on reform of the scandal-tainted political system, prompting one faction boss to call for a new reform coalition which would group LDP and opposition politicians.

Mr Tsutomu Hata, head of the LDP's Hata faction, said the apparent failure of the reform push had forced him to gather a group of pro-reformers from the government and opposition, which he suggested could ultimately become the base for a new political party.

If Mr Hata is successful in convincing members of other LDP factions to defect on this issue, the government could be defeated in an opposition-sponsored no-confidence motion in parliament and be forced to extend the present sitting beyond this week or even to call an election.

"Over the next day or two, I will be gathering people from different LDP factions who have the same desire for reform," Mr Hata said. "There is a possibility in the longer-term that it could be a new party, but we will have to see what develops."

Mr Hata's move came as Mr Seiroku Kajiyama, the LDP's secretary general, said he had been unable to get agreement from LDP parliamentarians on political reforms including a redrawing of electoral boundaries and tougher controls on political funding.

Many LDP members are opposed to reforms, which would replace the present system of multi-seat constituencies with a single-seat system or proportional representation or a mix of both. The new format would threaten the LDP's traditional system of factional patronage, as, in tandem with funding laws, the cost of politics would be cut.

But the problem for Mr Hata and other self-proclaimed reformers is that the Social Democratic party of Japan, the largest opposition party, has also yet to agree on the details of political reform, which is likely to be opposed by members who benefit from the present system.

"We will have to see which politicians are really in favour of reform, and those who are just saying nice things," Mr Hata said. "Reform will help to nurture real political parties, and it will help Japan to develop a more independent foreign policy and to take diplomatic initiatives."

● Japanese MPs yesterday declared their personal assets, which were an average Y132.2m (£796,300) for members of the LDP, and a more modest Y43.5m for opposition MPs – the average total for Japanese is Y21.1m.

The totals made public were probably far below the actual figures, as property and stock prices were calculated at book value, not market value, and the total does not include the assets of other family members. Many politicians are believed to have transferred assets to their spouse or children to avoid declaring an embarrassingly large total.

Israel and Palestinians far apart

By Julian Ozanne in Jerusalem

THE GULF between the Israeli government and Palestinian peace negotiators appeared as wide as ever yesterday on the eve of the resumption of the Arab-Israeli peace talks in Washington today.

In the run-up to the tenth round of talks both the Palestinians and the Israelis have played down expectations of a breakthrough on a joint statement of principles on interim Palestinian self-rule.

The Palestinian delegation, led by Mr Haidar Abdel-Shafi, is said to be deeply unhappy about the failure of US officials sponsoring the talks to provide concrete answers to a series of questions defining the extent of Palestinian autonomy to be granted over the occupied territories during an interim period.

The Palestinian delegation has been in Washington since last week pressing the US State Department to clarify its position on questions central to the peace talks. Among issues presented by the Palestinians are whether the US views the territories as "disputed" or "occupied", how East Jerusalem would be governed during the interim and how Washington sees the linkage between an interim solution and a permanent settlement.

The Palestinians said they failed to receive clear answers from the US administration and yesterday it was unclear whether Mr Abdel-Shafi would attend this morning's session or merely send a symbolic delegation.

In Jerusalem Mr Yitzhak Rabin, Israeli prime minister, said that he expected no breakthrough in Washington but he said he believed that Israel and some of the Arab states had passed the point of no return in the negotiations.

"We are not ready for gestures. The period of confidence-building measures is over," Mr Rabin reportedly told a parliamentary committee yesterday.

Without any progress on the Palestinian track, negotiations between Jerusalem and its Arab neighbours Jordan, Syria, and Lebanon are unlikely to make any headway in Washington.

King Hussein of Jordan, who is due to meet President Bill Clinton on Friday, last week ruled out the possibility of signing any bilateral agreement until there is progress in Palestinian-Israeli talks.

Palestinian and Arab delegates are pressing the US to take a more interventionist role to force concessions on the parties and ensure some progress is made before the tenth round ends in three weeks.

Forecast tax rises held in Pakistani budget

By Farhan Bokhari in Islamabad

THE PAKISTANI government last night unveiled the country's annual budget which avoided some unpopular measures that businessmen had expected, though it sought to widen the tax net.

Prices of petroleum products were increased by 10 per cent but costs of gas and electricity remained unchanged. Petrol may rise further depending on the the exchange rate of the Pakistani rupee against the dollar.

Sales tax was increased by 2.5 percentage points to 15 per cent. Mr Sartaj Aziz, in his budget speech before the parliament, also announced a 2 per cent duty surcharge on the cost of new commercial buildings in large urban areas.

No tax was introduced on agricultural income. Pakistanis are exempt from paying direct income tax on agriculture, a subject of criticism from foreign donors. In recent days, many officials expected some form of tax, even in a limited form, in response to those concerns.

The budget has come at a time of political uncertainty. Mr Aziz appealed to the opposition to join in a bipartisan consensus on economic policies as a way to encourage foreign investors.

Many businessmen have recently expressed concern over a chronic budget deficit which has repeatedly been responsible for Pakistan missing its economic targets.

Sihanouk hails era of democracy

By Victor Mallet in Phnom Penh

PRINCE Norodom Sihanouk, the Cambodian leader, celebrated the opening of the elected assembly yesterday by announcing a new era of liberal democracy and free enterprise and calling for a solid ceasefire between the country's warring factions.

The 120-member assembly, chosen in last month's UN-organised election, is obliged to draw up a new constitution and form a government within three months under an international peace plan agreed in Paris in 1991.

Mr Yasushi Akashi, head of the UN Transitional Authority in Cambodia, urged the elected representatives to "bury the hatchet of yesterday" and said he was proud to have led the UN's most ambitious undertaking to date. Untac's $2bn (£1.2bn) mission is supposed to end with the formation of a new government.

"Your presence here is a clear affirmation of democracy in Cambodia and of the unmistakeable will of the people to become the masters of their own country," Mr Akashi said, holding out the promise of support from foreign donors and investors if stability returns to Cambodia.

Mr Akashi and his staff are likely to face a difficult three months dealing with the unpredictable Prince Sihanouk and with an incumbent communist administration unwilling to yield power to Funcinpec, the royalist opposition party which won the most seats in the election.

Several leaders of the ruling communist Cambodian People's party have established an "autonomous zone" along the Vietnamese border, terrorising Funcinpec supporters and driving out UN civilian workers at gunpoint; Khmer Rouge guerrillas opposed to the CPP have their own zone on the Thai border in the west.

After entering the assembly under a golden umbrella, the 70-year-old Prince Sihanouk told its members that the Cambodian people wanted a united and peaceful country and a better standard of living.

He condemned deforestation and the theft of archaeological treasures from the ruins of Angkor in the north, and suggested a return to the "prosperous agriculture of the 1950s and 1960s" – the time when he was in power.

One of the assembly's first acts yesterday was to mollify the prince by declaring the coup d'état against him by Gen Lon Nol in 1970 to be null and void, and by reaffirming him as head of state "so that he can effectively save our country and allow Cambodia once more to know progress and prosperity, as in the days of the Sangkum Reastr Niyum".

Untac officials said the decision was of doubtful legal force – since the assembly has yet to pass a constitution – and did not necessarily bode well for democracy; the Sangkum, or "People's Socialist Community", was a national movement founded by Prince Sihanouk with the purpose of obliterating other political parties, and won its first election with the help of intimidation and vote-rigging in 1955.

Cambodian rice yields and per capita income, furthermore, were among the lowest in south-east Asia in the 1960s.

NEWS: WORLD TRADE

German fury at minister's telecoms line

By Ariane Genillard in Bonn

THE German telecoms industry yesterday sharply criticised the recent announcement by Mr Günter Rexrodt, federal economics minister, that Germany and the US had agreed to sidestep sanctions and counter-sanctions over government contracts affecting telecommunications.

"We are surprised and angered at the fact that the Economics Ministry is breaking ranks with the EC trade politics," a source in the industry said.

"Germany will now become a platform for non-EC producers wanting to enter the common market, and German companies will be the first to pay the price of this increased competition," he added.

The Economics Ministry yesterday attempted to defuse the crisis, which has thrown Germany into a bitter dispute with the European Commission. However, ministry officials kept an embarrassed silence when asked about ways in which Bonn could mend its dispute with Brussels.

The ministry said no trade agreement lifting sanctions had been signed with the US. "Our trade representatives simply informed their US counterparts that Germany was not discriminating against US companies, as do Spain, Portugal and Greece," a spokesman from the ministry said.

The row between Germany and Brussels broke out last Thursday when Mr Mickey Kantor, US trade representative, told a US congressional committee that Germany and the US had agreed to drop sanctions against companies importing telecoms equipment.

On Friday, Mr Rexrodt announced that Germany could not apply discriminatory sanctions against US companies because of a 1954 bilateral trade agreement.

The announcement immediately prompted the European Commission to ask for a full clarification.

The US recently erected sanctions against EC telecoms suppliers seeking government contracts in the US. This was in retaliation for Article 29 of the EC's utilities directive, enacted in January and giving a price preference to EC companies bidding for European government contracts.

But Mr Rexrodt said on Friday Germany would not apply Article 29's restrictive provisions.

US pacts must be 'results-oriented'

By Nancy Dunne in Washington

THE US Council on Competitiveness has joined a growing number of influential private-sector groups recommending Washington negotiate "results-oriented" pacts, including market-share goals, when strong companies cannot gain foreign market access.

In its latest report – Roadmap for Results: Trade Policy, Technology and American Competitiveness – the council also endorses the use of trade sanctions if necessary.

The council is headed by Mr George Fisher, chairman of Motorola, who was one of the few private-sector representatives invited to dine on Friday night with a Japanese delegation in Washington for trade negotiations. It played a key role in developing the Clinton administration's technology policy.

The new report offers some insight into US strategy towards Japan, which it names as a candidate for results-oriented pacts because "its structural barriers and discriminatory private-sector linkages are often more entrenched than in other parts of the world".

The report acknowledges that the US has, in the past, relied too heavily on trade policy instead of addressing basic competitiveness problems, such as insufficient research and development, "impatient capital markets and a burdensome regulatory environment".

US trade policy has been poorly co-ordinated among government agencies and with other policies, the report says. This has led to numerous inconsistencies; for example Washington rejecting subsidies in multilateral steel talks, while making plans to subsidise high-technology R&D.

The administration has already moved to correct past deficiencies. Its Japan policy has been developed in the interagency National Economic Council in tandem with the National Security Agency. It is insisting on some kind of measurable indicators, and has the broad backing of both Republicans and Democrats in Congress.

Although the administration has pledged not to retaliate if negotiated goals are not met, it will use sanctions to enforce trade US laws.

The options for leverage are numerous. A higher mini-van tariff, now buried in a Treasury review process, could be called into play or US officials could return to talking up the yen.

NEWS IN BRIEF

E Germans back new business site

THE east German state of Brandenburg has given full planning permission for a Canadian-based company to develop a business site for foreign investors, in a move likely to attract up to DM500m (£203m) of investment and several thousand jobs over the next four years, Judy Dempsey writes from Berlin.

The Horsham Corporation, which holds a controlling interest in American Barrick Resources Corporation, the international gold producer, bought the 220-hectare Brandenburg Park, south of Berlin, in June 1991 from the Treuhand privatisation agency.

It paid DM30m for the land and intends to invest DM60m on infrastructure and construction over the next 14 months.

Taiwan quits steel mill project

Taiwan has confirmed it is withdrawing from a planned $360m (£234m) investment in a Malaysian steel mill, writes Kieran Cooke in Singapore.

State-run China Steel was to have co-operated in the project with the Kuala Lumpur government and Malaysia's Lion Group. But Taiwan's parliament has blocked China Steel's investment, saying the company should expand its capacity in Taiwan before investing overseas. Malaysia says the steel mill project – with a planned investment of $2.7bn – will go ahead.

Auto components venture agreed

Sumitomo Light Metal of Japan and Norway's Hydro Aluminium have formally agreed to collaborate in the development of automotive components using aluminium extrusions, writes Kenneth Gooding, Mining Correspondent.

Hydro is Europe's biggest producer of aluminium extrusions while Sumitomo is a leading supplier to the Japanese vehicle industry. Similar links have been established by companies reacting to forecasts of a surge in the use of aluminium in cars and other vehicles to reduce weight and pollution.

China awards telecoms contract

Pacific Dunlop of Australia has won an A$70m (£31.25m) telecommunications contract in China, writes Bruce Jacques in Sydney.

The contract, awarded to the group's Olex Cables subsidiary, involves laying 3,150 km of optical fibre cable and transmission equipment, linking the cities of Lanzhou, Urumqi and Yining in north-west China. Olex will be partnered by NEC Australia.

Andrew Taylor detects growing international interest in plans for city's reconstruction

Contractors join the new battle of Beirut

THE prospect of rebuilding war-ravaged Beirut, 18 months after hostilities ceased, is beginning to excite the interest of international contractors.

They are anxious to win foreign orders to supplement depressed domestic order books with much of the western world struggling to escape the grip of recession.

The extent to which their interest will be translated into structures on the ground will depend on the ability of the Lebanese authorities to raise the money to pay for reconstruction.

Last week building and civil engineering contractors were asked to submit pre-qualifying bids for the $350m (£227m) rehabilitation and extension of Beirut international airport.

According to contractors, finance for the airport is expected to be in the form of foreign loans and grants, most likely from other Middle Eastern countries.

The Lebanese Council for Development and Reconstruction responsible for the project has told construction companies that the airport development has the personal support of Mr Rafik Al Hariri, the prime minister.

About 70 contractors are expected to seek to pre-qualify to expand the airport's capacity from about 1.5m passengers a year to 6m. The work, which includes a third 3,500m runway, is expected to last two years.

It is part of a $12.9bn reconstruction programme which includes rebuilding shattered transport, water, sewerage and electricity generation services as well.

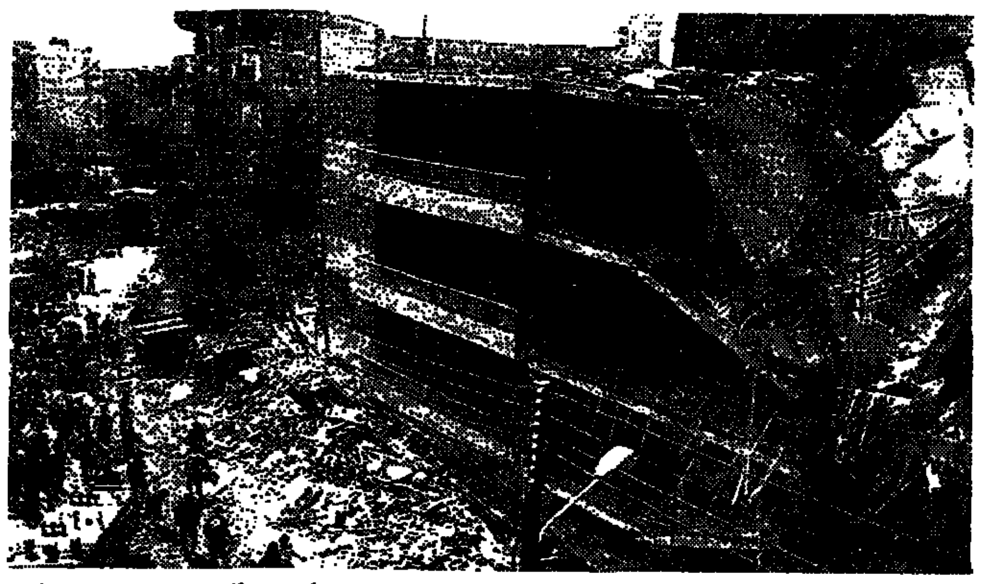
A separate plan for the redevelopment of Beirut, once one of the richest Middle Eastern cities, has been drawn up by local consultants Dar Al-Handasah. The rehabilitation of 1.3m sq m, including 660,000 sq m of private property, in the bombed-out centre of Beirut, is expected to cost about $3bn.

The reconstruction programme, says the council, will be paid for out of foreign loans and aid, Lebanese government finance and private investment from returning businessmen and Lebanese expatriates. It is estimated that these hold overseas assets worth $30bn to $40bn.

Much will depend upon the success of Mr Hariri, a 48-year-old Moslem billionaire, in convincing the investment community that he can rally Lebanon's divided society and reverse the country's balance of payments deficit.

The long-term solution to the country's political and economic problems will involve reaching a peace agreement under which Israel will withdraw its troops from its self-declared security zone in south Lebanon. Without this accord, it will be impossible for large scale country-wide re-development to take place.

The first phase of re-development, costing $2.7bn, from 1993 to 1995 will depend heavily on foreign loans which will account for two-thirds of the finance with foreign aid accounting for another 21 per cent. Domestic borrowing will account for about 13 per cent, says the council.



Rising from the ashes: the war has provided rich pickings for international building contractors

Earlier projects, therefore, will be those which can quickly generate income from users to repay borrowings. These may include the airport development, electricity generation, port developments and communications.

Contractors will be looking for as much security as possible from lenders such as the World Bank. The council toyed with the idea of trying to raise finance for the airport from a private sector operator but did not consider this to be feasible in the current political and economic climate.

Nonetheless, there are signs of activity which have encouraged international contractors. Lebanese businessmen, as a sign of confidence in Mr Hariri's new government, repatriated $700m last year.

Mr Derek Ashburner, business development director of Trafalgar House, the UK construction, engineering, property, shipping and hotel group, was a member of a construction industry trade mission to Beirut sponsored by the British government at the beginning of this month.

"Land costs have risen sharply in recent months and there are reports of apartments along the coastal strip changing hands at $1m each, all of which are signs of returning confidence," said Mr Ashburner.

"British, French and Italian engineering consultants are already working on preliminary designs for parts of the reconstruction programme. We are hopeful we too will pick up some of the work as this programme develops."

Clinton slow in hitting the justice jackpot

The president still seems indecisive and irresolute, writes **Jurek Martin**

IT TOOK President Bill Clinton three pulls of the lever before hitting the attorney-general jackpot with Ms Janet Reno. Judge Ruth Bader Ginsburg may well turn out to be a splendid new Supreme Court justice, but the long and painful process by which she was selected has done nothing to dispel the president's – and the White House staff's – reputation for being chronically indecisive and politically irresolute.

The indictment against both the president and his people is the talk of Washington. The salient charges include:

● Vacillation: It took the administration three months to find a replacement for Justice Byron White, who had announced in March that he would retire at the end of the current court term this summer so that a successor could be confirmed by the Senate and on the bench in time for the next term. This timetable is now in doubt.

By contrast, presidents Reagan and Bush took less than a week to announce nominations to Supreme Court vacancies and did not demand – as Mr Clinton does, almost to obsession – personal knowledge of candidates. Even when both the previous presidents lost nominees – Mr Robert Bork and Mr Douglas Ginsburg – replacements were put forward within days.

● Poor staff work: Judge Stephen Breyer of Massachussetts, the favourite until Sunday, is reported to have told Mr Bernard Nussbaum, White House counsel, five weeks ago that he had a problem with social security payments for a domestic employee. Yet these only surfaced in news reports on Saturday night, after the judge had lunched with the president on Friday and been asked to stay in Washington, presumably to await announcement that he was the candidate.

Even then, he was dropped after several prominent senators, including Mr Robert Dole, Republican leader, and Senator Joseph Biden, chairman of the judiciary committee, had said he should be confirmed, not least because new ground rules worked out by the committee and the White House allowed for "unintentional oversight", which seems the worst he was guilty of.

Even some advocates of women's rights, distressed over the circumstances that undid Ms Zoe Baird and Judge Kimba Wood as prospective attorneys-general, pointed to qualitative differences between Judge Breyer's domestic arrangements and those of the two women.

● Callousness: If the judge was led up the garden path of expectations, so was Mr Bruce Babbitt, interior secretary, rated favourite a week ago for the bench. He had to endure the re-publicisation of old – never substantiated – allegations that he had connections to organised crime.

● Political resolution: It baffled even some of Mr Clinton's friends when Mr Babbitt's name was so freely mentioned, as he is considered a tower of strength in the cabinet, particularly admired by liberals and environmentalists. A confirmation battle to replace him at the Interior Department seemed needless.

The president's desire to know his most important nominees personally may be understandable. But he deserted an old friend, Ms Lani Guinier, when her nomination to the civil rights section of the Justice Department came under fire and, by dropping, in succession, Mr Babbitt and Judge Breyer, Mr Clinton has again left the impression that he bends before critical winds. It also makes him enemies – Senator Edward Kennedy of Massachussetts, a sponsor of Judge Breyer, is not pleased.

British executives in Cuba trade talks

A GROUP of British business executives is visiting Cuba for talks on trade and investment opportunities in such fields as tourism, the oil industry and bio-technology, Reuter reports from Havana.

"We are particularly interested in the Hispanic Caribbean... we see opportunities for economic development," Baroness Young, a former Conservative minister and the delegation leader, said in Havana.

The 14 executives in the group were to have talks with Cuban trade officials during their three-day stay on the communist-ruled island. Britain's Caribbean trade advisory group organised the visit.

Mr Raúl Taladrid, a vice-president of Cuba's state committee for economic co-operation, told Lady Young that Cuba was interested in increasing its trade relations with Britain.

Asked about Britain's attitude to the US trade embargo against the country, which the Cuban government says hinders trade and investment from other countries, Lady Young said: "The British government's position is that we have trade relations with Cuba and are interested in building them up".

Canadian Tories take gamble on their new leader

Bernard Simon examines the risks of choosing Kim Campbell as PM

BY CHOOSING Ms Kim Campbell to succeed Brian Mulroney as party leader and prime minister, Canada's ruling Progressive Conservatives have taken a gamble.

If it pays off, the Tories will find themselves in power for a third consecutive term after the election Ms Campbell is likely to call in September.

The country may then have a prime minister with the intelligence and forcefulness to press ahead vigorously for the next five years with the tasks which Mr Mulroney began – adjusting the economy to the rigours of greater competition, especially in North America, bringing down a ballooning budget deficit, reforming the costly social security system and giving a freer rein to private enterprise.

As a native of Vancouver, Ms Campbell may be the ideal leader to accommodate Canada's regional and linguistic disparities, while maintaining an over-arching role for the federal government in Ottawa.

Her intellect, sophisticated tastes and considerable exposure to the world outside North America could give the new prime minister and her country as much attention on the international stage in the 1990s as Mr Pierre Trudeau won for it in the 1970s.

Ms Campbell, aged 46, is in many ways an unusual – and therefore, for her party, a risky – choice as Canada's 19th prime minister.

Besides being the first woman in the post, she is the first prime minister with western roots since Mr John Diefenbaker in the late 1950s. Ms Campbell, who has spent much of her life either studying or teaching, was elected to the House of Commons in Ottawa only five years ago.

Her previous experience in politics was limited to a school board in Vancouver and to British Columbia's right-wing Social Credit party. She is barely fluent in French, and has little first-hand knowledge of Quebec, more than 2,000 miles from Vancouver.

The general election race will be wide open. The Tories have a fillip from Mr Mulroney's departure, and are now running neck and neck with the opposition Liberals in public opinion polls.

But, with voters in an unusually volatile mood, polls now offer little guidance to the outcome. For one thing, Ms Campbell's chief opponent, Liberal party leader Mr Jean Chrétien, is among the country's most seasoned politicians.

Ms Campbell will make her international debut at next month's Group of Seven summit in Tokyo – an event which Tory organisers hope will also help boost her image at home ahead of the general election.

The other G7 leaders are likely to find that their new Canadian counterpart has a more piercing intellect than Mr Mulroney, but is less convivial. "She will be less club-able" with the other G7 leaders, predicts one foreign diplomat in Ottawa.

Ms Campbell, in general, appears to have a more complex and less predictable character than her predecessor. The same traits have won her affection in some quarters, but disdain in others.

One of her political confidants notes that it was just as well there were no microphones at hand last Saturday evening as Ms Campbell sat watching the keynote speeches of the other four candidates at the Conservative leadership convention.

Her comments were, it seems, such that a Campbell fan would have regarded them as reflecting her impish sense of humour, while the same remarks might have been taken by a detractor as proof of the condescending and tart-tongued manner for which she has become known.

Kim Campbell: a more complex and less predictable character than her predecessor

Uruguay tackles row over officer

By John Barham in Buenos Aires

REPORTS that South American security forces worked together last year to "rescue" a Chilean intelligence officer, wanted in connection with human rights investigations in Chile, have set off political trouble in Uruguay, where the officer was last seen.

The affair came to light last week when Uruguayan congressmen received an anonymous letter claiming that Argentine, Chilean and Uruguayan intelligence services co-operated last November, apparently without the knowledge of their civilian political masters, to spirit Mr Eugenio Berríos out of Chile, where he was wanted on human rights charges. He is alleged to have been implicated in rights violations during General Augusto Pinochet's military regime of 1973-1990.

Mr Berríos was taken first to Argentina, then to Uruguay, where he is believed to have been protected by army and police officers. He has since disappeared without trace.

Uruguayan President Luis Alberto Lacalle cut short last week a visit to London to deal with the affair. He sacked General Mario Aguerrondo as head of military intelligence and Mr Ramón Rivas, the police chief suspected of holding Mr Berríos in the town of Parque del Plata.

However, Mr Lacalle has been careful to avoid a head-on confrontation with the Uruguayan military, which has evaded the sort of human rights investigations that dogged the armed forces of Argentina, Brazil, Chile and Paraguay after they handed back power to civilians.

Mr Lacalle has ordered a confidential interior and defence ministry investigation of the Berríos affair, rather than a full judicial inquiry. He stressed at the weekend that the affair was mainly a Chilean problem, with ramifications in Uruguay.

Departure widely expected to ease settlement, though early solution not predicted

President of Timex at Dundee quits

By James Buxton, Scottish Correspondent

MR PETER Hall, president of Timex Electronics, the Dundee company which is embroiled in a bitter and widely publicised industrial dispute, resigned yesterday.

His departure was widely seen as making a settlement slightly easier to reach but union officials said they were not expecting an early solution.

Last night Mr Mohamed Saleh, Timex Electronics head of human resources in the US, was due to meet local AEEU engineering union officials and leaders of the sacked Timex workforce in Dundee. This was the first time since February that Timex has met local union leaders, though it has had long negotiations with national officials.

Mr Hall was said by the company to have resigned for personal reasons and left the plant. The printed circuit board assembly factory is being managed by Mr John Dryfe, a Scot who is chairman of Timex Electronics in the US and was once manager of the Dundee facility.

The Timex dispute is in its fifth month. Since the company sacked its entire 340-strong hourly paid workforce in February it has been bussing in a replacement workforce. Earlier this month the sacked workforce contemptuously rejected terms negotiated by the AEEU which the union said represented a 27 per cent cut in pay and benefits.

Mr Hall had become a hate figure for the sacked workforce, 80 per cent of whom are women. His departure is seen as a victory by the strikers and could make it easier for them to accept terms from Timex management. But there was no sign last night that Timex was prepared to change its position, while leaders of the sacked workforce said their position was unchanged. "We don't believe there will be an early settlement," said Mr John Stewart, a member of the Timex strike committee.

The strikers want to win back their jobs on conditions similar to those under which they were working before they were sacked, and would if necessary accept the eviction of the 290 hired to replace them.

They believe pressure is mounting on Timex, partly because of the damage the company's image is suffering, and accept that the closure of the plant is a possibility.

Timex has insisted that production was being maintained and that it needs to increase its workforce to meet new orders.

● David Goodhart in Zurich writes: Mr Bill Jordan, president of the AEEU, welcomed the news that Mr Hall had left and said it was a "necessary but not sufficient condition for finding a resolution". Earlier he had denounced Timex as "the unacceptable face of the multinationals" at the International Metalworkers Federation congress in Zurich.

PRT reform cuts licence applications

By Deborah Hargreaves

THE OIL industry withdrew applications for seven North Sea exploration blocks in response to the government's proposed changes to Petroleum Revenue Tax.

PRT reforms will reduce the rate of tax paid on existing fields but abolish tax relief for exploration work.

But Mr Tim Eggar, energy minister, said the withdrawals had not significantly affected the success of the latest offshore licensing round which was the largest for 20 years.

The government yesterday awarded 110 blocks for offshore oil exploration out of the 484 put on offer as part of the largest range of offerings since 1972. Oil companies showed a lot of interest in important new areas for exploration such as the area west of the Shetland Isles, and Cardigan Bay off the Welsh coast.

Mr Eggar said of Shetland: "I think we are on the verge of proving up a major new province which will be very significant for the future of the industry and UK oil production."

Mr Eggar added that along with the withdrawals, some companies had altered their original work programmes in response to the tax change.

TV takeover code may change

By Raymond Snoddy

THE INDEPENDENT television industry's resistance to relaxing the rules on takeovers began to crumble yesterday as the four biggest companies were joined by others supporting change.

By the end of a 90 minute meeting with Mr Peter Brooke, the national heritage secretary companies controlling more than 70 per cent of ITV advertising revenue made it clear they were prepared to accept takeovers among the nine largest companies.

If there is to be a change in the ownership rules it would have to come this autumn. From January 1 European Community companies will be able to take over ITV companies subject to the approval of the Independent Television Commission.

The main case for change was put by the four largest companies, Carlton Television, Central, London Weekend, and Granada Television. But they were later joined on a qualified basis Yorkshire and Scottish Television.

Mr Michael Green chairman of Carlton Television, holders of the London weekday licence and the largest ITV franchise holder said after the meeting: "The majority view, by my calculation a minimum of 70 per cent of ITV, stated that there was a need for change and the secretary of state certainly heard this loud and clear."

The need for any immediate change in the ownership rules was opposed by Anglia, HTV and Meridian Broadcasting.

Mr Louis Sherwood, chairman of HTV, the ITV company for Wales and the West of England, told Mr Brooke he would rather his company was controlled from continental Europe or the US than Birmingham.

● Mr Richard Branson of the Virgin Group has proposed an imaginative radio frequency swop to the BBC to end the growing row over the fate of Radio 4 on longwave.

The BBC has run into problems over its plans to launch a 24-hours a day rolling news service on longwave and restrict Radio 4 broadcasts to the FM frequencies. This would cut off a much-loved radio service to those who do not have an FM radio, and continental listeners would no longer be able to listen to Radio 4 on longwave.

Mr Branson has a different, and he hopes complementary problem. In April he launched the UK's first national commercial pop station- Virgin Radio 1215 - on medium wave a frequency he believes is hardly suited for music.

Lloyd's syndicates postpone cash calls

By Richard Lapper

MORE THAN a dozen Lloyd's syndicates are to postpone part or all of their calls for cash, softening the impact of record losses on the Names who provide the market's capital.

Lloyd's expects to report losses of up to £2.8bn for 1990, its latest underwriting year, next week.

Syndicates delaying calls for cash from Names include Cater Allen 190, Barder & Marsh 62, Janson Green 79, Bankside 197, Methuen 483, Murray Lawrence 920, and Castle 1021. A number of syndicates managed by Sturge Holdings, the market's biggest agency reported they would take similar action last weekend.

"Some Names will be able to defer all cash calls for 12 months. It is a very satisfactory development," said Mr Julian Crispin, chairman of Sedgwick Underwriting Agents, one of the largest members' agents at Lloyd's.

The change is possible because although syndicates must make a full provision against potential claims, payment is sometimes not made for many years. Sturge said it had negotiated an arrangement with its bankers whereby they will provide a contingency line of credit if payment becomes due earlier than expected.

Meanwhile, it has emerged that five agents may not be prepared to continue managing syndicates into 1994 as a result of disagreement over elements of the Lloyd's business plan introduced in April.

Charman Underwriting Agency, Knightstone Holdings, Christofferson Heath, Atrium Underwriting and Hardy all gave notice to members' agents before the end of last month.

Several of the agencies are opposed to the imposition of an across the board maximum agency fee of 0.5 per cent.

Mr Roger Heath, chairman of Christofferson Heath which manages two of the market's largest motor syndicates, said his agency faces a sharp fall in income as a result of the changes to the fee structure.

The agency currently charges Names a fee of 1.75 per cent to help it meet higher expenses associated with motor underwriting.

ECONOMY OF SCALE: Eddie George, who becomes Governor of the Bank of England at the end of June, with a model of the City of London which is part of the Capital for Business Exhibition that opens today at Stanhope's Ludgate development

Trafalgar, GEC and BICC form rail group

By Andrew Taylor, Construction Correspondent

GENERAL Electric Company (GEC), Trafalgar House and BICC, three of Britain's biggest industrial groups, are joining forces to bid for some of the very large privately financed rail projects being promoted by the UK government.

GEC announced that it is take an equal share in Eurorail, jointly owned by Trafalgar House the construction, property, shipping and hotel group and BICC engineering and construction group.

The emergence of the grouping comes as one of the strongest indicators yet of private sector enthusiasm for the government's attempts to attract private funding into public infrastructure.

Eurorail said yesterday that it would seek to work with the government agencies in the development of the £2.5bn Channel tunnel rail link; the £2bn CrossRail project under London and a proposal to improve the main west coast railway line between London and Glasgow expected to cost at least £900m.

Lord Parkinson, a previous Conservative secretary of state for transport under, was yesterday appointed chairman of Eurorail.

Lord Parkinson in 1990 rejected a joint bid by BICC, Trafalgar House and British Rail to build the proposed high speed rail link between London and the Channel Tunnel because the public subsidy required by the companies was regarded as too high.

Ministers recently have adopted a more positive attitude towards joint ventures between private and public sector interests investing in infrastructure projects.

The addition of GEC to Eurorail will compliment the engineering and construction skills of Trafalgar House and BICC as well as providing access to GEC's financial strength.

The group owns 50 per cent of GEC Alsthom, the Anglo French railway engines, rolling stock and power equipment joint venture.

Downing Street seeks course which would avoid both tax increases and severe cuts in welfare spending in budget

Major seeks to end disarray over state borrowing

By Philip Stephens, Political Editor

MR JOHN MAJOR'S office yesterday sought to put an end to cabinet disarray over the government's tax and spending policies by insisting it could reduce state borrowing without breaking its election pledges.

Downing Street's stance reinforced the impression that Mr Major wants Mr Kenneth Clarke, the new chancellor, to avoid both increases in income tax and draconian cuts in welfare spending in the November budget. Senior officials stressed nothing has been ruled out ahead of the budget. But Mr Major appears determined to stress the priority of sustaining the economic recovery and of maintaining tight spending controls, thus downplaying the possibility of further tax increases.

The prime minister said last week that about 70 per cent of the £50bn-a-year deficit could be attributed to the impact on spending and revenues of the recession rather than to "structural" imbalances in the government's finances.

His insistence yesterday on sticking to the manifesto followed conflicting ministerial statements on how the government might square the apparent circle between pledges to hold down taxes, increase spending and reduce borrowing.

In an apparent left/right split in the cabinet, Mr Michael Heseltine, trade and industry secretary, suggested at the weekend that pre-election commitments could no longer be regarded as sacrosanct.

But Mr Peter Lilley, social services secretary, and Mr John Redwood, Welsh secretary, both rejected the idea that the government could renege on its income tax pledges.

Mr Clarke will underline his determination to curb the borrowing requirement in his first keynote speech to a City audience at the Mansion House this evening.

On Thursday the cabinet is expected to endorse public spending ceilings for the next two years at least as tough – if not tougher – than the £253.6bn and £263.3bn cash totals agreed last autumn for 1994-95 and 1995-96.

Senior officials said that the prime minister's reaffirmation of manifesto commitments did not foreshadow any relaxation of the prospective squeeze on spending. The vague terms in which the manifesto was framed allowed latitude on both spending and taxation changes, the officials said. In theory, though not in practice, even a temporary rise in income tax could be said to be consistent with the document.

But in a significant change in rhetoric both Mr Major and Mr Clarke are now emphasising that the pre-eminent role in tackling the deficit of sustained economic recovery.

The implication is that the combination of resumed growth, the constraints on public spending already in place and the £10bn-a-year of tax increases in the pipeline will eventually bring down borrowing to sustainable levels.

Britain in brief

Commercial property values hold

Commercial property values have stopped falling for the first time since 1989, according to a report by Hillier Parker, the firm of chartered surveyors. It provides the first statistical evidence that the worst property recession for 50 years is over.

The surveyors say that average commercial property values, which fell by 42 per cent from their peak in 1989, have risen by 0.2 per cent since May.

The greatest improvement was registered in the retail market, where values rose by 0.8 per cent, followed by the office sector, where values rose by 0.1 per cent. Industrial property continued to fall in value, with a decline of -0.6 per cent.

Challenge to 1.5% pay target

The government's 1.5 per cent public sector pay limit faced its first real challenge after it was rejected by leaders of 500,000 local government workers who fear the ceiling being extended to next year.

Delegates representing clerical workers who belong to Nalgo, the public services union, called on the union to campaign against the pay ceiling and threatened a strike ballot over the issue.

Aintree to change start

Aintree Racecourse officials rejected criticisms by an inquiry into the false starts at the Grand National in April, but said starting procedures would be changed for next year's race.

The world's most popular steeplechase, watched by 50,000 on-course spectators and millions of television viewers worldwide, had to be abandoned after two false starts.

The inquiry, which was headed by a leading member of the Jockey Club, horseracing's ruling body, strongly criticised the "grey gate" starting system – a tape stretched across the 65-yard width of the course – as outdated and inadequate.

It said the Aintree executive and the Jockey Club should have replaced it.

The stewards of the Jockey Club will study the report today before deciding whether to initiate a disciplinary inquiry.

Crime hits half of businesses

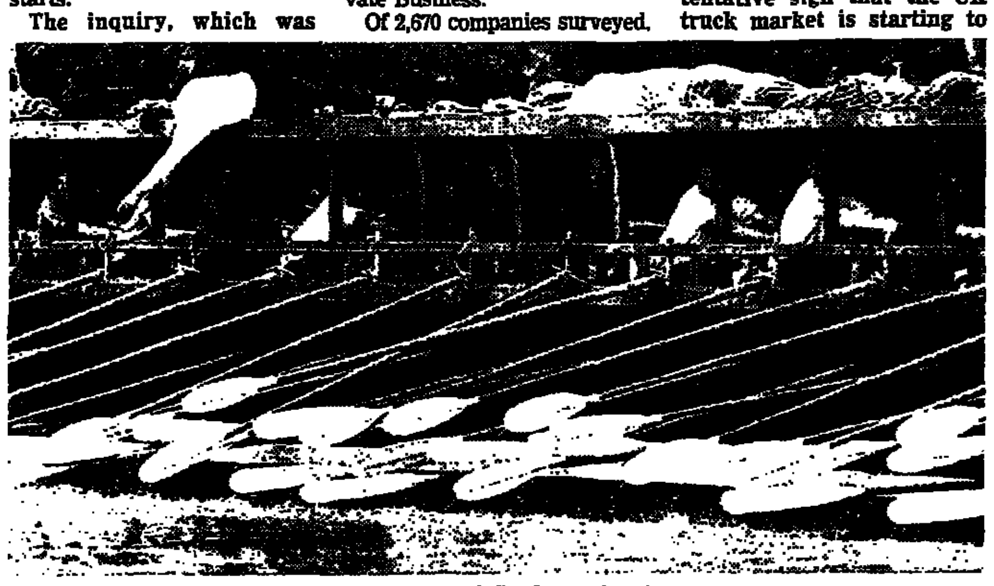
Nearly half of all small businesses have been the victims of crime, according to a survey published by the Forum of Private Business.

Of 2,670 companies surveyed, 45 per cent had been affected by crime. Burglary was the most common problem affecting 45 per cent of businesses which had been victims of crime. It was followed by vandalism (31 per cent), theft (27 per cent), vehicle crime (24 per cent), shop-lifting (17 per cent), and fraud (11 per cent).

Foden signals truck recovery

Foden, the Cheshire-based truck maker owned by Paccar of the US, has recruited 80 additional employees to cope with what it describes as sharply rising demand for its vehicles in the UK.

The move, which increases Foden's work force by 20 per cent to 480, provides another tentative sign that the UK truck market is starting to recover from its most severe recession since the Second World War.



The trireme Olympias, replica of a fifth century BC Greek vessel, at Putney, west London yesterday. The ship was freighted from Piraeus to celebrate the flowering of democracy 2,500 years ago in Athens

MG launch by Rover

Rover is to re-enter the European sports car market with the launch of a new range of small, competitively-priced MG sports cars in 1995.

It reached agreement on an innovative joint production venture with Mayflower, the specialist UK engineering company, which will invest in the MG development programme and share in the profits.

Code-named PR3, the new MG sports car is expected to be a mid-engined roadster priced from around £15,000.

Output is planned to reach 15,000 to 20,000 a year, and the new range is also expected to be sold in Japan. It will be powered at the top end of the range by Rover's K-Series engine in a new 1.6 litre version, which is currently under development.

Rover, the motor vehicle subsidiary of British Aerospace, is seeking to resurrect one of the world's best-known sports car marques more than a decade after MG was killed off by former British Leyland chairman Sir Michael Edwardes as part of the rationalisation of the then heavily loss-making, state-owned UK carmaker.

The new model is designed to return MG to mainstream sports carmaking, a market segment dominated in recent years by Japanese carmakers with products such as the Mazda MX-5, following the earlier demise of UK makes such as MG and Triumph.

Soft demand in Europe threatens export upturn

By Paul Cheeseright, Midlands Correspondent

FORTUNES in the engineering industry are being held back by softening demand in continental European economies, especially Germany, and the competitive advantage created by last September's devaluation of sterling is being diminished.

These are the conclusions of a survey carried out by the Engineering Employers' Federation, who surveyed 470 companies in the West Midlands. The survey shows that although the proportion of companies reporting a rise in domestic orders rose to 46 per cent in May from 36 per cent in February, a reverse trend has started for export orders. Last February 30 per cent of companies reported an increase in export orders; this has now slipped to 27 per cent.

"Recovery will be muted if major export markets are moving in the opposite direction to our own," warned Mr David Botterill, chief executive of the regional EEF.

He said that the competitive position of engineering companies in European markets has been enhanced by sterling's devaluation, relatively low labour costs and by the growing readiness of German companies to seek supplies in lower cost markets. He noted that, on the basis of the EEF's own information, German companies are attempting to reduce their own costs by putting pressure for price reductions on suppliers.

Despite the problems in Europe, 48 per cent of West Midlands engineering companies, compared with 42 per cent in February, have growing orderbooks.

This has been translated into a greater use of factory capacity and, for the first time since summer 1989, save for a blip after the 1992 general election, raw material stocks have shown net growth.

Although higher purchases of raw materials may reflect confidence, some companies appear to have been accumulating stocks to avoid anticipated rises in import costs following sterling's devaluation.

Inflationary pressures at UK factories remained subdued last month as sterling's relatively strong performance in May kept raw material prices from rising. Seasonally adjusted provisional figures show that prices of raw materials and fuel purchased by manufacturing industry rose 0.2 per cent between April and May after a 0.8 per cent decline the previous month.

Spurs court battle goes against Venables

By John Mason, Law Courts Correspondent

MR ALAN SUGAR, chairman of Tottenham Hotspur, last night sought to impose his authority on the troubled football club after winning the first round of his legal battle with Mr Terry Venables, whose dismissal as chief executive was upheld by the high court.

Speaking with some bitterness, Mr Sugar said that he and his family had been put through " hell" by Mr Venables and that the north London club would now be run on "correct" business lines.

As some fans threatened to boycott ticket sales and the club was warned that several players might not renew their contracts Mr Sugar said that Mr Venables had no future at Tottenham except in his role as non-executive director. "We don't want him at the club," said Mr Sugar, "and if I have anything to do with it, he's not coming back at all."

Mr Sugar was speaking after a senior High Court judge rejected a bid by Mr Venables to extend the injunction preventing Mr Sugar and the Tottenham board from sacking him as chief executive.

Hundreds of Spurs fans again demonstrated their support for Venables cheering, clapping and chanting "we'll support you evermore" as he left court. Some said they would starve the club of ticket sales.

Mr Eric Hall, Mr Venables commercial agent who also represents several Spurs players, said after the hearing: "I represent about 12 players at Tottenham Hotspur and they've all told me in the last couple of days that they certainly will put in for transfers and leave Tottenham Hotspur."

Mr Venables insisted that he would pursue his court battle to force Mr Sugar to sell him his 47 per cent share in the club. Mr Sugar said he would fight that move vigorously.

The legal battle between the two men will resume in the autumn or early next year.

هكذا من الأصل

MANAGEMENT: THE GROWING BUSINESS

Aiming to ease conflict

Commercial disputes frequently drift into legal proceedings which can be costly and wasteful in terms of management time and damaging to goodwill between the people involved.

But there is another method of defusing conflict, known as alternative dispute resolution.

Suggestions of how and when to use ADR are contained in a new guide* by Alex Roney, legal adviser to the London Chamber of Commerce. ADR may not be suitable in every case, particularly if there is a link between the dispute and further claims, but it does offer the advantages of speed, privacy and a reduction in the amount of acrimonious discussion, says Roney. If it does not work the parties can then resort to conventional litigation.

Alternative dispute resolution may involve conciliation, in which a neutral third party encourages the two sides to reach agreement or mediation, where the third party plays a more interventionist role.

The two sides to the dispute can stage a mini-trial or executive tribunal where both parties present their case before senior executives from the two sides and a neutral "expert".

How do the costs of ADR compare with formal litigation? The guide compares the costs involved in a disputed claim of £15,000 in a county court, a £100,000 claim before the high court and a claim settled by ADR. The costs involved in ADR will be broadly similar almost regardless of the amount claimed, it says.

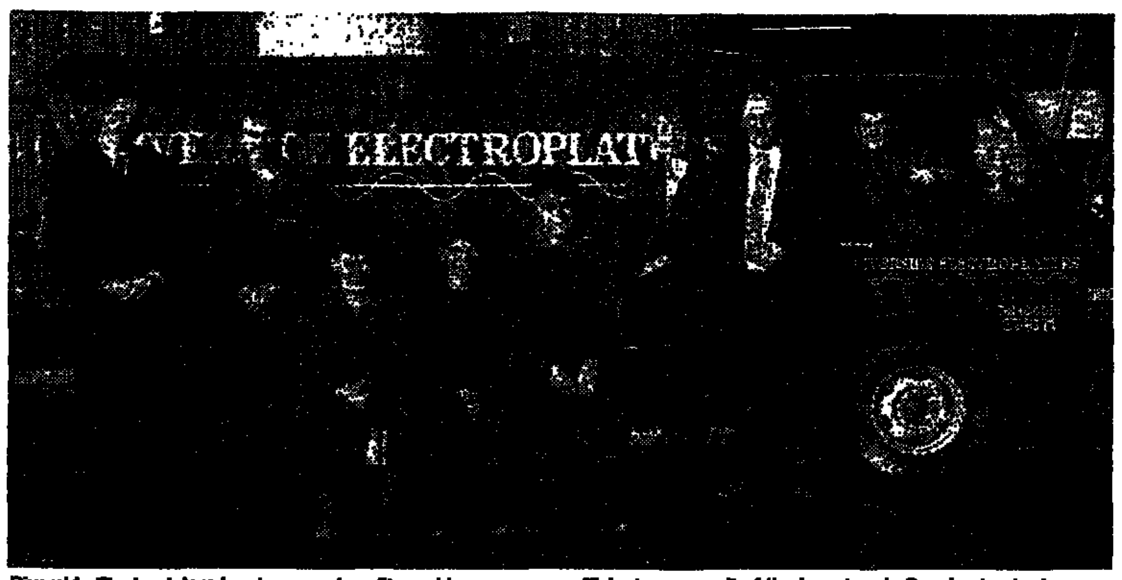
The costs involved in county court litigation would be between £5,000 and £7,500, in high court action between £8,000 and £15,000, and under ADR, assuming mediation takes one business day, between £3,300 and £4,500, Roney calculates.

**Alternative Dispute Resolution. 31 pages. £10. London Chamber of Commerce, 69 Cannon Street, London EC4N 5AB. Tel: 071 248 4444.*

Charles Batchelor

A wider view for the workforce

Lisa Wood examines a government standard which aims to improve the training of employees



Riverside Electroplaters has increased profits and become more efficient as a result of the Investors in People standard

Every month or so for the past two years Christine and Malcolm Bolton have closed their small Grimsby electroplating business on a Friday afternoon and joined their six staff for a few hours at a local hotel.

It is not a social event. On the agenda might be a discussion on the latest profits forecasts, a brainstorming session on how to tackle technical problems arising from a new order and whether the premises meet health and safety rules.

The meetings are part of wider changes at Riverside Electroplaters which have helped the company become more efficient, produce a better-quality service and increase turnover and maintain profits at a time when profit margins in the sector are being squeezed.

The catalyst was the company becoming committed to, and then qualifying for, a government standard called "Investors In People".

IIP was developed by the Department of Employment with help from human resource development experts. It is administered in England and Wales by the 82 Training and Enterprise Councils, which this year will receive £10m of government money to promote what is their main weapon for improving the training of people in work. In Scotland the scheme is administered by the 14 Local Enterprise Companies.

IIP has had a big impact at Riverside – including savings on the bottom line. A large order worth £40,000 was nearly rejected because Riverside could not afford special processing equipment. An employee at a monthly meeting suggested modifying existing equipment. It cost £200 and Riverside won the order. "We have and are still having a tough time because of the recession," says Christine Bolton. "If it had not been for IIP we probably would not still be in business."

Viewed by many small businesses as just another big government programme, with all the attendant bureaucracy, the IIP standard has been slow to take off. Yet experts agree it provides one of the most useful check lists, based on best practice, of what companies should be doing on staff development.

The standard is not an award for spending large sums on training. Rather, assessors acting for the Tecs will ask:

- Have goals been set for a business?
- Have these been explained to workers?
- Have workers the right skills to meet those needs?
- Has the investment been evaluated against the performance of the business?

Riverside, with six employees, is the smallest company to have achieved the IIP standard and takes pride of place in Department of Employment publicity. According to the department, more than half of the 253 companies that have been awarded IIP status employ fewer than 200 people. It is unlikely that IIP would be appropriate for a company any smaller than Riverside.

IIP's impact on recipient companies has yet to be formally evaluated. Case examples provided by the department bring ringing endorsements. However, Riverside did have some problems gaining the standard and other small companies could encounter similar ones.

The biggest initial obstacle at Riverside was comprehension. "We did not really understand what it was all about at first," says Christine Bolton, who with her husband and several other local businesses was invited to presentations by the Humberside Training and Enterprise Council nearly three years ago when IIP was being piloted. "It is very difficult for somebody to get across what 'relating training to your business plan' really means."

Some Tecs have been better than others at promoting the standard and providing their staff with skills for going into a business and finding out what it needs. Among the best Tecs is Gloucestershire Tec which has given IIP top priority. London Tecs are among the worst.

There were teething problems at Humberside. Riverside was asked, for example, to do an action plan at a time when it had only a very basic business plan – the sort that is produced for a bank. "We wrote things like 'We must work out a staff appraisal plan by such and such a date' but it really did not mean much to us," says Christine Bolton.

Humberside has refined its approach over the past two years and now an applicant for IIP would immediately be offered diagnostic work to discover its problems and whether or not it had the basics, such as a business plan.

Similarly, changes are being made nationally to the way the standard is presented, with a new guide* for small businesses to be published this month.

The next obstacle for the Boltons was time, and attendant costs. "It took us two years to get the standard and the time commitment was enormous," says Christine Bolton. "First of all there were the meetings when the scheme was explained. Then there was the detailed work, much of which we did at home, and the half day every month that we spend with the employees. We do know companies that have dropped out of trying to do IIP because they could not afford the time."

Riverside says it is difficult to assess the full costs. In common with many of the early recipients of IIP, the company received a lot of help from its local Tec, including a grant for a consultant who paid six two-hour visits. Most Tecs provide grants or matching funds for consultancy and many provide lists of approved consultants.

Humberside Tec estimates it would now cost about £2,000 for a company of Riverside's size to achieve the standard. Riverside cost a bit more as it was a pilot. Peter Fryer, chief executive of the Tec, says: "We were learning from them and vice versa."

Costs include the formal assessment by a Tec representative. Fees average around £300 a day, with small businesses probably requiring two to three days' formal assessment time. In most cases Tecs, which are very keen to get companies on board because they have targets to meet, will negotiate fees.

The Boltons wrote their own business plan after taking advice from Humberside Tec. "Our basic plan had been a series of boxes with headings," says Christine Bolton. "In our new plan we relate them to each other – like productivity having a relationship to training."

The plan she says was essential. "It's when you are specific about a goal that you are able to ask yourself whether you have the skills needed to get there and, if not, how can you work towards that." At Riverside this resulted in some off-the-job training, such as everybody attending a fork-lift truck course in order to provide a flexible workforce, to a considerable amount of on-the-job coaching by senior staff.

Christine Bolton says improved communications with staff grew from this process. "How can you expect people to work towards a corporate objective if they don't know what the plan is," she says. One employee told the assessor: "I've never known a place like this – they listen to you." Another said: "They don't just tell you what to do and how to do it but why."

Riverside's ultimate problem was how to measure improvements. "If you are a big company, producing something like fish fingers, it is easier to measure things than if you are a little one like ours doing jobbing work," says Christine Bolton.

She gives the example of the zinc barrel plating line where an aim was to improve productivity. The consultant suggested they used the rejection rate as a measure, something the Boltons had not thought of. Taking this idea further they designed a new system whereby employees on the line measured their own rejects and the information was made public every week. Previously quality assurance was done separately. Rejection rates have dropped from 25 per cent to 2 per cent.

Christine Bolton says the setting of targets has brought benefits she had never envisaged. "The consultant suggested we measured debtor days and I had targets to reduce them. We have very few bad debts now. Why? Because I get to know the person responsible for the payments and build up a relationship."

The search for some magical system of cost-benefit analysis is a common problem, according to Sue Webb, a national assessor. "But evaluation can be very simple," she says. "If you want somebody to improve their report-writing skills and you send them on a course you just evaluate their progress by whether they do fewer drafts. It can be as easy as that."

**The Small Business Tool Kit is available from all Tecs.*

Small firms warned

Small and medium-sized firms in Europe have enjoyed dynamic growth but now face tougher competition from larger companies following the creation of the single European market.

This is one of the findings of the first in a planned series of annual reviews of the smaller firms sector in Europe. The European Observatory for Small and Medium-Sized Enterprises* is compiled by academic researchers in the 12 member countries.

In the short term the single market is expected to reduce delays and red tape following the removal of customs checks at borders and the harmonisation of technical standards. But some formalities have simply been shifted on to businesses and there is a strong risk that smaller firms will not fully reap the benefits in practice, the review warns.

In the medium term the creation of larger markets and more trade will increase competition from new entrants, often larger firms, in many traditional markets. In manufacturing sectors where small firms have been unable to exploit economies of scale they may lose market share.

The number of small firms in manufacturing and distribution will probably decline. By contrast, the creation of a larger market place will create opportunities for further specialisation and new business initiatives. This will prompt the creation of new companies offering innovative products and services but will also lead to higher failure rates.

Almost 99.9 per cent of the 15.7m businesses in the EC are small or medium sized and they employ 70 per cent of the total workforce. There are 14.5m micro enterprises (employing up to nine people), 1m small firms (between 10 and 99 people) and 70,000 medium-sized businesses (from 100 to 499 people). There are only 12,000 companies larger in size.

**Free summary from Warwick Business School Centre for SMEs. Tel. 0203 523741. Full text – 437 pages, Ecu 60 (£47) plus VAT – from EIM Dutch Research Institute for SMEs Tel. +31 79 41 36 34.*

Charles Batchelor

BUSINESS OPPORTUNITIES

READERS ARE RECOMMENDED TO SEEK APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

BUSINESSES FOR SALE

FRUIT AND VEGETABLE PACKING AND CORRUGATED CARTON BOX MANUFACTURING FACILITIES

Businesses for Sale in Turkey

The proposed sale of Meyna A.S. and Unipac A.S., parts of the Polly Peck Group, represents an opportunity to acquire two integrated businesses which are involved in fruit and vegetable packing and corrugated carton box manufacturing. The businesses are located in southern Turkey and supply both domestic and export markets.

Meyna A.S.

A fruit and vegetable packing business operating from three sites in the major fruit growing regions of Turkey, with:

- capacity to process some 50,000 tonnes of fruit and vegetables per annum;
- modern purpose-built facilities;
- close proximity to diverse sources of supply;
- an established international brand name.

Unipac A.S.

A corrugated carton box manufacturing business, with:

- capacity to produce some 25,000 tonnes of corrugated cardboard per annum;
- a record of profitable trading;
- an established customer base comprised of both agricultural and industrial companies;
- a reputation for supplying high quality products.

A detailed information memorandum may be requested by contacting either Stuart Smith or Ian Connor at Coopers & Lybrand, 1 Embankment Place, London WC2N 6NN. Telephone: (+44) (+0) 71 213 1188. Fax: (+44) (+0) 71 213 1330.

Coopers & Lybrand is authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Coopers & Lybrand

Architectural Ironmongers

The Joint Administrative Receivers offer for sale, on a going concern basis, in whole or in part, the business and assets of A.C. Leigh Limited, Architectural Ironmongers, also trading as Robert Coppen. Key features include:

- Annual turnover in the region of £2.9 million
- Operating from locations in Norwich and Boston Lincs, and a warehouse facility in Bury St. Edmunds
- Well known local company established 1959
- Freehold retail and office premises in Norwich
- Full locksmith and key cutting service

For further information, please contact The Joint Administrative Receiver, Chris Hill or Jeanette Makings, Ernst & Young, Cambridge House, 26 Tombland, Norwich NR3 1RH, Telephone: 0603 660482. Facsimile: 0603 614430.

ERNST & YOUNG

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Prime Freehold Investment Properties

Manchester

Parkers Hotel
112 Bedrooms — City Centre

Parker House Hotel
72 Bedrooms — City Centre

2 serviced accommodation properties.
5 Investment Properties.
All within 3 miles of Manchester City Centre.

For more details contact the Joint Law of Property Act (1925) Receivers: Malcolm Shierson and David Rowlands, Grant Thornton, Heron House, Albert Square, Manchester M2 5HD.
Tel: 061 834 5414. Fax: 061 832 6042.
Or their agent Weatherall Green & Smith.

Weatherall Green & Smith
061-236 0722

Grant Thornton

The U.K. member firm of Grant Thornton International. Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

MINERAL EXTRACTION AND PLANT HIRE

The Bedwell Park Quarry Company Limited
Bedwell Park Plant Limited
Bedwell Park Sand & Gravel Limited

The Joint Administrative Receivers offer for sale, as a going concern, the business and assets of this well established group involved in mineral extraction and plant hire.

Principal features of the business include:

- established customer base
- experienced and long serving staff
- operates from two leasehold quarries and one 40 acre freehold quarry, in Hertfordshire
- recently acquired 50 year permission for extraction of sand, gravel and chalk and the in-filling of the resultant void space (1.5 million cubic metres)
- present licensed void space approximately 260,000 cubic metres.

For further information, please contact the Administrative Receivers, J M Iredale and S P Holgate at Coopers & Lybrand, Harman House, 1 George Street, Uxbridge UB8 1QQ.
Telephone: (0895) 273329. Fax: (0895) 273378.

Coopers & Lybrand is authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Coopers & Lybrand

FOREST GRANGE

HORSHAM 4 MILES
J11-M23 5 MILES

CIA circa 24,000 sq ft plus outbuildings

Formerly in school use and suitable for

Training school
Conference Centre
Residential Conversion
Hotel
subject to planning permission

In all about 148 acres

HEALEY & BAKER
071 629 9292
29 ST GEORGE STREET HANOVER SQUARE LONDON W1A 3BG

On the Instructions of
GRAND METROPOLITAN ESTATES LIMITED ....adding value

76 Public Houses throughout the South of England and the Midlands
including
40 in London and the Home Counties ranging from £60,000 to £275,000

Properties available as a group, individually or in packages

For further details please contact:
Ken Sims or Colin Wellstead
071-486 4231

CHRISTIE & Co
CORPORATE DIVISION

FOR SALE. WELL KNOWN LONDON NIGHTCLUB.

- *Prestigious, central location*
- *Profitable/well established*
- *Full restaurant facilities*
- *18 year lease remaining*

Spacious and well appointed, the club is also renowned as a multi-event venue. Immense potential still to be realised.
Offers are invited to:

FRANKLIN WILLIAMS & FOY
Franklin, Williams & Foy Limited
57 Queen Anne Street, London W1M 9FA
Tel: 071-224 0400 (10 lines)
Fax: 071-935 2907

---

alpine

Alpine (Double-Glazing) Co. Ltd

(In Administrative Receivership)

The following are offered for sale: -

- Name, Trade Marks etc.
- Plant & Machinery
- Goodwill & Business
- Leasehold Premises

For information please contact Grant Jones or Perry Lewis, Quoting Ref: 60116, Morison Stoneham, 805 Salisbury House, 31 Finsbury Circus, London EC2M 5SQ
Tel: 071/628/2040 Fax 071/628/7531

Morison Stoneham
Chartered Accountants

WILLIAM HILLARY

On the instructions of Marina Developments Limited
RIVER ORWELL - NEAR IPSWICH
London 85 miles

WOOLVERSTONE MARINA FOR SALE

- 200 PONTOON BERTHS
- 120 SWINGING MOORINGS
- COMMERCIAL PROPERTY RENTROLL c.£66, 000 P.A.
- 28 STATIC CARAVAN PITCHES
- 40 ACRES IN ALL

Full details from sole selling agents
WILLIAM HILLARY & COMPANY
CLOSE GATE HOUSE, 47 HIGH STREET, SALISBURY, WILTS SP1 2QF
TEL: 0722 327101 FAX: 0722 411803

LEISURE AND HOTELS

£ + − x ÷ % ? = £ + − x ÷ % ? £

®SKIDMASTER CAR STREERING MECHANISM

The liquidator offers for sale the assets of a company which has invented a unique "Car Steering Mechanism". The system has been patented in the USA and Australia. The vehicles are used for driver training at national race circuits.

The assets for sale comprise:-

- USA and Australian patent rights.
- European patent application, approval pending.
- 7 vehicles fitted with the steering mechanism.

All enquiries should be addressed to the liquidator:-
D K Dattani,
BDO Binder Hamlyn,
206 Derby Road,
Nottingham NG7 1NQ
Tel: 0602 415312
Fax: 0602 410196

BDO BINDER HAMLYN

Chartered Accountants
Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business

£ + − x ÷ % ? = £ + − x ÷ % ? £

Precision Sheet Metal Engineering Business

The Joint Administrative Receivers E V L Blackwell and R Hocking offer for sale the business and assets of this precision sheet metal working and fabrication company.

- Established since 1969
- Turnover £943,000 per audited accounts to 31 August 1992
- Comprehensive range of fabrication machinery and equipment
- Established customer base and order book
- Situated at leasehold premises in Slough

For further information, please contact Eddie Blackwell or Paula Freeman, Stoy Hayward, 74 South Street, Reading, Berkshire RG1 4RA. Tel: 0734 585466
Fax: 0734 567782. Ref: EVLB\PFF.

STOY HAYWARD Horwath
Accountants and Business Advisers A member of Horwath International

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business

FS 22657
The London office of Stoy Hayward is registered to BS 5750

Naylor Automatics Limited

The Joint Administrators offer for sale the assets and goodwill of Naylor Automatics Limited, an amusement machine operator serving the Midlands, Yorkshire and Lancashire.

Principal features include:

- Turnover of approximately £3 million per annum.
- More than 3,000 machines on hire, principally to licensed premises.
- Operates from freehold premises of 23,000 sq ft close to Nottingham with easy access to motorway network.

For further information contact the Joint Administrator, Mick McLoughlin, KPMG Peat Marwick, St Nicholas House, Park Row, Nottingham NG1 6FQ. Tel: 0602 483444.
Fax: 0602 483401.

KPMG Corporate Recovery

WILLIAM HILLARY

NORTH LONDON

M25 GOLF SITE

c. 246 ACRES OF GENTLY UNDULATING LAND WITH MATURE WOODLAND AND STREAMS FOR

27 HOLES WITH 10,000 SQ. FT. CLUBHOUSE

Colour brochure available from sole selling agents
WILLIAM HILLARY & COMPANY
CLOSE GATE HOUSE, 47 HIGH STREET, SALISBURY, WILTS SP1 2QF
TEL: 0722 327101 FAX: 0722 411803

LEISURE AND HOTELS

ESSEX COMPANY

For sale as a profitable and thriving business in the Double Glazing /cladding, facias, soffits & guttering field T/O £400K+ with excellent profit and scope
PRINCIPALS ONLY
PLEASE APPLY

INTERTRADE
Rochford House, 35 Rochford Road, Chelmsford, Essex CM2 0EF
Telephone 0245 35 3000 anytime

FOR SALE
B2 COLOUR PRINTERS

Modern factory and plant, in-house repro and finishing, profitable company based South East England

Write to Box B1209, Financial Times, One Southwark Bridge, London SE1 9HL

PORTUGAL (LISBON)

Analytical and scientific instrumentation distributor 1992:
Sales US$5.3mm
Pretax US$0.4mm Empl. 23
Net assets US$0.5mm

Write to Box B1108, Financial Times, One Southwark Bridge, London SE1 9HL

GLOUCESTER
QUALITY NURSING HOME

- Registered 52
- 6 Acres landscaped gardens
- 2 Staff Houses
- Income Year/End 1992 - £787,578

FREEHOLD:
PRICE ON APPLICATION
Ref. C1008 - Tel: 081 390 8748

AVON
QUALITY NURSING HOME

- Registered 57
- Turnover y/e '92 £690,621
- 47 singles - 5 doubles
- Consistent high occupancy

£1,300,000 F/Hold Ref: NH5066
Tel: 0752 251775

Taylor NATIONAL

NORTHERN GROUP
DUAL REGISTERED

- Registered for 52 Nursing/ 44 Residential
- Professional Management structure
- Head office building
- Income circa £1,230,000

£2,000,000 F/Hold Ref: NH6559
Tel: 0532 467101

BERKSHIRE
RESIDENTIAL CARE HOME

- Registered 47 - Operates at 35
- Elegant Property set in 2 acres
- Income 600K - Profit £210,000
- Owners Detached House

£1,300,000 F/Hold Ref: RH7600
Tel: 081 390 8748

Leading the Professional Services to the Care Home Industry

Sale by Tender
GOLF RANGE & 18 Hole P & P
NEAR DUBLIN

Exceptional business opportunity due to retirement. Extensive modern facilities developed to highest standards. Two-tier, 60-bay driving complex, tuition booths, practice areas, professional shop, children's playground, coffee shop and TV lounge. Beside aerodrome/heliport. Considerable scope for expansion.

For details please fax:
PETER COOGAN
Business Consultant
Fax 010-353-1-6270323

DECORATIVE LIGHTING

Company based in Devon. Turnover £280,000. 8000 sq.ft showroom, plus 11000 sq.ft storage area on long leasehold (65 years remaining). Good range of stock.

For further details contact:
Norman Bamber
Messrs Kennedy Bamber
Chartered Accountants
Wrentham Hall, Prospect Park, Exeter EX4 6NA
Tel: 0392 43 5156 Fax: 0392 499717

NORTHERN IRELAND
Purpose-Built Nursing Home

Registered for over 60 Patients plus 10 Day-Care.
Income of y/e Dec '92 approx £967,000 at 39% net.
Further development potential.
£1,875,000 Freehold

Contact Peter Morris
Telephone 081-464 6565

PACKING BUSINESS
(West Midlands)

For outright sale or Facilities Management.
Boxing of small metal componentry. Annual sales circa £900K. Principals only.

Write to Box B1211, Financial Times, One Southwark Bridge, London SE1 9HL

MONACO COMPANY FOR SALE (Shell)

(Société Anonyme Monégasque - limited company)

Activities: Publishing and Circulation in any form
Tel: (33) 93.25.33.83
Fax: (33) 93.25.73.33

*** SOUTHWEST FLORIDA, USA ***

- Wood/metal manufacturing - $3.9M
- Retirement homes priced from $800k-$3M
- International Motel - 180 rooms - $7.9M
- Marinas priced from $750k - $4.7M
- Caribbean resort - casino/hotel
- Many other excellent opportunities!

McNeill International Business Group, Inc.
Lic. R.E. Broker - 813-366 4340 USA
Fax 813-365 3936

COMMUNICATIONS SOFTWARE GROUP

UK based with international subsidiaries and agency network.
Market Leader T/O £2m PBT 10%
Contact GRIST Management Associates Ltd. Pilgrim House, Canute Road, Southampton SO1 1AG (0703 335225) for more details
IT ACQUISITIONS SPECIALISTS

FOR SALE

MANUFACTURER OF HIGH QUALITY ELECTRICAL CONTROL PANELS
Well established & Profitable Strong Growth potential
Blue Chip Client List
Modern Factory. T/O £1m
Write to Box B1198, Financial Times, One Southwark Bridge, London SE1 9HL

RECEIVERSHIPS/LIQUIDATION — PINK PAGES – The weekly guide to every insolvent company. Direct contact with Liquidators/Receivers. Fully indexed according to company type. Free sample copy – Tel: (0273) 626681. 24 Hrs

---

International Textiles

UK, Europe & Far East

Highware Ltd (In Receivership) are textile agents, wholesalers and importers, specialising in Far Eastern fabrics.

- Sole agency agreements with foreign suppliers
- Quality customer base (including good export market)
- Substantial order book
- Experienced sales force
- Existing stock
- Typical turnover – Wholesale £1.4m – Agency commission £250,000

For further details contact the Joint Administrative Receiver:
Duncan Swift, Grant Thornton,
43 Queen Square,
Bristol BS1 4QR.
Tel: 0272 268901 Fax: 0272 265458

Grant Thornton

The U.K. member firm of Grant Thornton International. Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

FOR SALE. Established warehousing, shipping and forwarding company based in North Yorkshire - rail connected with extensive parking/yard facilities. T/O approximately £500,000. Ideally suitable for transport company wishing to expand but short of space or shipping and forwarding company wishing to increase facilities and add turnover to existing business. Please apply in strict confidence to Star Cargo PLC, Star Cargo House, Thompsons Close, Harpenden, Herts. AL5 4SB

IND. TILE. FACTORY. MOD. E. GERMANY. Turnover £3. Mill. 93 Prod. Sold out. 99 emp. pers. aut. 5HA. Rail link. Price £6% Mill. Write to Box B1208, Financial Times, One Southwark Bridge, London SE1 9HL

MAGAZINE ADVERTISING ASSETS *of* insolvent companies and businesses. Tel: 071-262 1164 Fax: 071 706 3464.

OFFICE EQUIPMENT

Facilities & Building Project Management company offers the following for sale on behalf of their London based client.

OFFICE FURNITURE

275 L-shaped / D-end desks with surrounding screening. As new condition, available August.
New price 3000 each complete workstation - will sell for 500. (Minimum order 25)
Tel 081 892 3637 Fax 081 891 5027

On the Instructions of DJ Pallen, Administrative Receiver.

ERNST & YOUNG

THE ONSLOW HOTEL

Queen's Gate, South Kensington, London, SW7
(At junction of Old Brompton Road)

Entire Stucco Terrace. 171 Bedrooms, each with en suite bathroom.
Restaurant & Bar. Conference suite. Boardroom.
Night Club (2am and 3am licence)
Profitably trading independent business. Freehold and fully equipped

Price £14 million, part funding available (subject to status)

Contact: Gerard Nolan, Jim Keogh or Wayne Russell

CHRISTIE & Co
Tel: 010 44 (0)71 486 4231 Fax: 010 44 (0)71 935 4032
2 York Street, London, W1A 1BP

Humberts · LEISURE

North Devon Coast

Profitable holiday letting complex and farmhouse in idyllic rural setting

- 9 holiday cottages converted from traditional farmbuildings
- Farmhouse divided into owner's house and holiday cottage – 5 bedrooms
- Heated enclosed swimming pool. Outdoor leisure area and paddock
- In all about 1½ acres – additional land available

For sale as a going concern
Offers invited in the region of £495,000

071-629 6700

Jurisdiction of EC courts revised

EUROPEAN COURT

On June 8, the EC Council of Ministers adopted a decision extending the jurisdiction of the Court of First Instance to all direct actions brought by natural or legal persons. The decision follows a request by the European Court of Justice in October 1991 for the CFI's jurisdiction to be extended.

At present the jurisdiction of the Court of First Instance is limited to competition cases, cases involving staff of the European Community institutions and certain cases under the European Coal and Steel Community Treaty.

The effect of the decision will be to set up a proper second level of jurisdiction within the Community legal system and allow the quality and effectiveness of judicial review in the Community to be maintained. The ECJ will be free to concentrate on its main tasks of ensuring the uniform interpretation of Community law and safeguarding the institutional balance within the EC.

It is also hoped that relieving the ECJ of the burden of hearing direct actions will speed up the time it takes to decide cases, particularly preliminary references on points of law from national courts, which will still be heard by the Court of Justice.

The decision will come into force on the first day of the second month after publication of the decision in the Official Journal. This should mean it will come into force on September 1, except for anti-dumping cases. The actual date for the transfer of jurisdiction in anti-dumping cases has yet to be agreed by the Council. After September 1 all direct actions brought by natural or legal persons must be brought in the CFI; cases pending before the Court of Justice will also be transferred to the CFI after that date.

Greece in breach of obligations

The failure of Greece to abide by a European Commission decision calling for the repayment of illegal state aid could not be excused on the grounds that one of the ways in which the aid could have been repaid was contrary to the Greek constitution, the Court of Justice ruled last week.

The case involved a Greek law under which company profits arising from exports were exempt from a certain tax. The Commission decided this was unlawful state aid and ordered it to be repaid. The Greek government did not challenge the decision but the aid was not repaid. The Commission brought an action against Greece for breach of its Rome Treaty obligations.

The Greek government argued the Commission decision was unlawful and in any event impossible to carry out. It said repayment of aid would have to take the form of a retroactive tax which was incompatible with the Greek constitution.

The court ruled that, as Greece had not challenged the Commission decision, the only available defence was that it was impossible to carry out the decision correctly.

However the court rejected the arguments put forward by the Greek authorities because they were based exclusively on the hypothesis that the only way repayment could be made was by imposition of a retroactive tax. The Greek authorities were simply under an obligation to ensure the companies which had received the aid repaid it. There was no requirement for the imposition of a retroactive tax.

The court said the companies could not plead that the obligation to repay the aid was in breach of their legitimate expectations as such a possibility would deprive the Rome Treaty's state aid provisions of all useful effect.

The court said that in cases such as this member states were under an obligation to collaborate with the Commission in good faith in order to overcome the practical difficulties of ensuring repayment.

C-183/91: Commission v Greece, ECJ FC, June 10 1993.

Opinion in PVC case delayed

The opinion of Advocate General Walter Van Gerven in the PVC appeal case due last week has been put back to June 29. The appeal brought by the Commission challenges a decision of the Court of First Instance which ruled that the Commission's original decision in the PVC case did not exist because of procedural irregularity.

C-137/92-P: Commission v BASF.

BRICK COURT CHAMBERS, BRUSSELS

Thresholds of power

Robert Rice examines controversial proposals to give Brussels greater scope in vetting large mergers

Competing views: EC commissioner Karel Van Miert (left) favours change; Sir Bryan Carsberg, UK director of fair trading, is believed to be opposed

By the end of June, Mr Karel Van Miert, the new EC competition commissioner, must take what is likely to prove one of the toughest decisions of his tenure. Should he recommend changes to the rules of the EC merger regulation to give Brussels greater powers to vet large EC mergers and risk upsetting Germany, France and the UK? Or should he leave the current system unaltered?

Time is not on his side. When the regulation was adopted by the Council of Ministers in December 1989, a legal obligation was imposed on the European Commission to review two of its aspects before the end of 1993 – the turnover thresholds, above which the Commission has exclusive competence to investigate mergers; and, the article 9 exception under which the Commission can refer cases which affect a distinct national or regional market back to national competition authorities.

A proposal to change the turnover thresholds can be adopted by the Council on the basis of a qualified majority, but, as Mr Christopher Bright, a partner with City solicitors Linklaters & Paines points out, only if it is made before the beginning of 1994. Afterwards, unanimity will be required as it is for all other changes to the regulation.

Given the stormy history of the regulation (it took 16 years to get it adopted) unanimity on change is unlikely. So if Mr Van Miert wants to change the thresholds, he may have to act this year. For practical purposes that means any proposal for change must be put to the Council by mid-July at the latest.

His dilemma is a very real one. The presumption recognised at the time the regulation was adopted was that the thresholds would come down after three years, thereby increasing the number of mergers examined by Brussels.

At present if the combined worldwide turnover of the companies involved in a merger or a "structural" joint venture is Ecu5bn (£3.95bn) or more, and the aggregate EC turnover of at least two companies involved is Ecu250m or more each, then the merger would be dealt with by Brussels. Below those thresholds, or if each company has more than two-thirds of its EC turnover in one EC country, mergers are to be dealt with by national authorities. The presumption in 1989 was that the main threshold would be reduced to Ecu2bn and the EC threshold would come down in proportion to Ecu100m.

Mr Van Miert recognises that lowering the thresholds in this way would not only run counter to the increased emphasis on subsidiarity, but also that it would be opposed by Germany, France and the UK.

Sir Bryan Carsberg, UK director-general of fair trading, is believed to feel an increase in Brussels' jurisdiction over mergers is premature. Equally, the Bundeskartellamt, the German cartel office, believes it is too early to make a judgment on change. France, infuriated by the blocking of Aérospatiale-Alenia's 1992 bid for De Havilland, the Canadian aerospace company (the only deal to be blocked under the regulation so far), wants higher thresholds to scale back the Commission's powers.

Against that view the European Parliament has already formally stated that it favours reducing the thresholds. Similarly, the Commission's Economic and Social Committee has queried whether the thresholds are unduly high.

Research by the Commission among the EC's 300 leading companies and among industry organisations shows industry generally in favour of threshold reduction because of the advantages the regulation offers of "one-stop shop" merger control and rapid clearance of deals. The German industry organisation, Bundesverband Deutscher Industrie, is particularly in favour of threshold reduction.

The precise impact of lowering the thresholds in terms of increasing Brussels' power is difficult to gauge. The Commission is known to be concerned that mergers likely to have a big impact on competition throughout the EC have slipped through the net.

The Reed/Elsevier publishing merger last year created the largest publishing group in the EC and second only to Dun & Bradstreet at world level. Yet the companies combined worldwide turnover was only Ecu3.1bn and so the deal escaped scrutiny by Brussels.

ICI's swap of its polypropylene activities for BASF's acrylic glass activities increased ICI's share of certain EC market segments to more than 40 per cent, but the deal escaped scrutiny because BASF's acrylic activities had an EC turnover of only Ecu165m.

In 1992 when Fried Krupp bought Hoesch, it created one of the world's largest steel producers with EC turnover of Ecu10bn. The merger required notification in Germany, France, Italy and Spain, but because both undertakings had more than two-thirds of their EC turnover in Germany, the merger was excluded from the scope of the regulation.

The Commission says these are not isolated cases. The survey of the 300 companies suggested that if the thresholds had already been lowered as envisaged a further 53 cases would have fallen under the regulation since it came into operation in September 1990. Twenty of them would not have been notifiable to the Commission if the current two-thirds rule was maintained.

Based on these figures the Commission estimates that the extra number of cases falling under the regulation each year if the thresholds are lowered would vary whether or not the two-thirds rule was also abolished. If it was abolished, the Commission estimates an extra 75 cases a year, but only 50 if the rule was kept.

If the EC turnover threshold was kept at Ecu250m, as favoured by industry, the number of extra cases would be much smaller.

This projected shift in power to Brussels is sufficiently modest to persuade a number of senior Commission competition officials that an attempt to lower the thresholds should be made. Mr Philip Lowe, the new head of the merger task force, is believed to favour a reduction. Mr Van Miert, viewed by Brussels insiders as extremely cautious, is hedging his bets until he knows more precisely the extent of the trade-off which would have to be made to win the backing of the Germans, French and British.

For Germany and Britain the price is likely to be a relaxation of the article 9 exception to allow more cases affecting distinct national or regional markets to be dealt with by national competition authorities. So far there have only been five requests for referral back under article 9 and only one has been granted (Steetley/Tarmac).

Even with a doubling of the number of cases handled by Brussels following a reduction in the thresholds the number of article 9 requests is unlikely to increase by more than nine a year. EC industry on the other hand appears implacably opposed to an enlargement of the scope of article 9. A change to article 9 is only likely if the thresholds are reduced.

Competition experts warn against over-concentration on the issue of thresholds. There are other important changes which should be made to the working of the regulation. By increasing the transparency of the Brussels' decision making process, some of these might be acceptable to the Germans as a trade-off for lower thresholds.

Mr Bright says that allowing the Commission to accept undertakings by companies during a one-month first-stage investigation, and to publish proposed undertakings so that third parties can comment before a final decision to accept them is made, would be "a big step forward in terms of transparency and third-party rights".

The time has come for Mr Van Miert to show his hand.

LEGAL BRIEFS

US patent action poses threat to computer makers

Mr Harry Aine, a US inventor and lawyer, has launched a patent petition with the US International Trade Commission which, according to lawyers defending the action, could cripple the multi-billion dollar personal computer industry.

Mr Aine owns a patent taken out in 1987 for a process by which metal disks for hard disk drives are coated with a protective layer of pure carbon. With the help of Chicago law firm Kirkland & Ellis, Mr Aine is pursuing 20 foreign and US-based disk and disk-drive manufacturers which he claims are infringing his patent.

According to the US National *Law Journal*, the list includes Seagate Technology and Digital Equipment of the US, and Asahi Komag of Tokyo, but not International Business Machines which has been licensed by Mr Aine.

In his petition lodged at the end of March, Mr Aine asked the ITC to ban permanently the entry into the US of all disks, disk drives and computers that infringe his patent. He told the ITC that an estimated 6.53m infringing disks were produced a month by non-licensed companies. Under ITC rules the Commission must rule on the case within one year.

Esop model deed

The UK's Esop Centre has published a standard trust deed for case-law employee share ownership plans (as opposed to statutory Esops established under the 1989 Finance Act) which are used by quoted companies mainly in order to acquire in advance shares which will be needed over the years for employee share schemes. The deed was drafted by Robin Tremaine, a tax partner with Clifford Chance. The model deed has Inland Revenue approval.

TECHNOLOGY

Keeping tabs on thieves

Every time you buy an electric drill or a pair of shoes, part of the price covers "shrinkage", that retailing euphemism for theft. One problem for retailers is that about 35 per cent of thefts (total thefts cost between £2.5bn and £3.5bn a year in the UK) are carried out by their own employees.

Eliminating employee pilfering is one advantage of a system being developed in the UK which has united retailers, equipment manufacturers and packaging companies under the auspices of the Centre for Exploitation of Science and Technology. The project's purpose is to develop a way of tagging items during the manufacturing process, in such a way that would-be thieves cannot distinguish whether an item is tagged or not.

Source tagging would also eliminate the time-consuming task of attaching electronic article surveillance (EAS) tags once the goods reach the stores; one type of tag could be used to protect everything from tea bags to CDs.

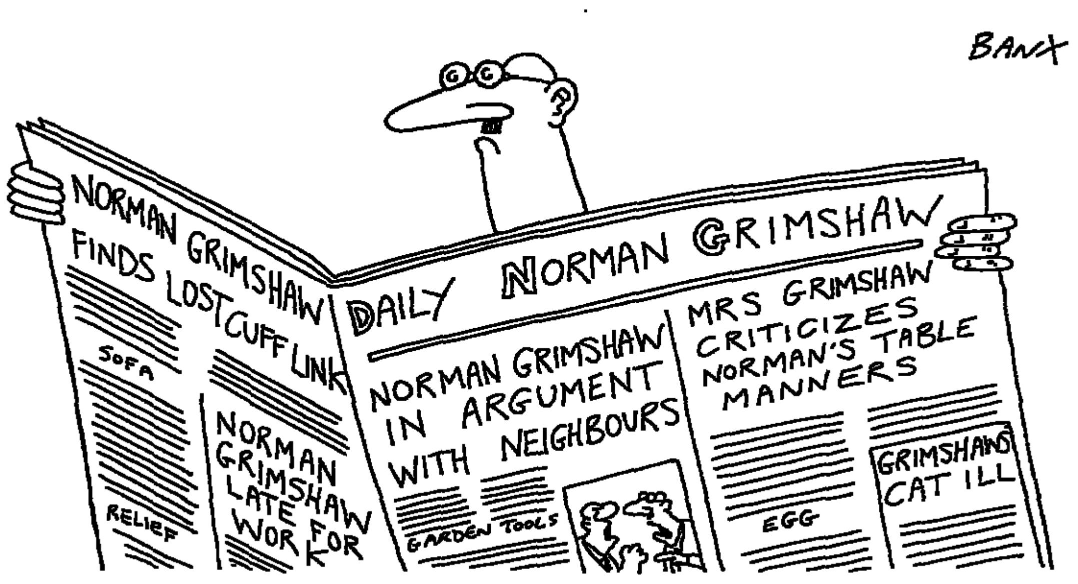
Cest's Martin Swerdlow says that the present worldwide market for EAS equipment is worth \$350m-\$500m (£227m-£325m) a year. He predicts, however, that if source tagging takes off the market will grow to \$10bn-\$20bn within five years.

Cest has already produced a "road map" for the development of source tagging and the first element, the 20-micron wide sliver of magnetic tape which will be incorporated in products, is available at less than 1p per item. The task now, says Swerdlow, is to look at the best way of insetting the tape into plastic, cardboard, paper and even metal.

Once the tag is in place, it can be activated by orientating the magnetic strip to emit a signal. This is picked up by equipment at store exits if goods are stolen. With legitimate purchases the tag, which is positioned near the bar code, is deactivated – switched off – when the assistant reads the bar code at the point of sale.

A full demonstration system should be in place at a CWS store in Slough, Buckinghamshire in 18 months.

Della Bradshaw



Reinventing the media

Computers, telecoms and publishing are converging, says **Raymond Snoddy**

Every morning, in common with millions of other people around the world, researcher Walter Bender reads his daily newspaper over breakfast. But the publication, nicknamed Bender's Bugle, is far from the usual daily read.

It really is his very own newspaper, delivered to his personal computer and reflecting his tastes and interests. The tailor-made publication is assembled overnight from the near-limitless choice of words available in electronic form from the news agency databases of Associated Press, Reuters and Dow Jones.

Bender is interested in cycling, so the computers pick out cycling articles and put them on his front page alongside news of world events. Bender is a researcher at the Media Laboratory at the Massachusetts Institute of Technology and one of a group which has launched a far-reaching programme of research on news in the future.

Underlying 14 projects – ranging from computers that can "understand" and select the news, to the use of news as a tool for learning – are two propositions: that the era of mass media is giving way to the era of personal choice; and that all media, whether television, radio or print, are being driven together by digital technology and turned into the equivalent of bits of computer information.

All media organisations, according to Nicholas Negroponte, director of the Media Laboratory, are now in "the bit radiation business". Work is already under way on the practicalities of delivering personalised newspapers in the form most people would like them – words printed with ink on paper and laid out in a form resembling a conventional newspaper.

The Media Laboratory is trying to develop reusable paper so that newspapers can be printed in the home in large format. "You want 15 magical pieces of natural paper and when you've finished today's paper you stick it back in the machine and it erases today's paper and prints tomorrow's.

"There's going to be a huge uproar over the next four or five years about dead trees. And printing in the home is not necessarily going to be more expensive than current delivery systems," he claims.

He first proposed founding the Media Laboratory in 1978 in the belief that the worlds of computing, publishing and broadcasting would converge. By the time \$50m (£32m) had been raised to start the venture in 1985, many of the things he had predicted were already beginning to happen, in particular the widespread use of personal computers. Making PCs easier to use and improving both the design and clarity of the words that appear on computer screens has also been one of the underlying themes of the Media Laboratory's work.

Funded 80 per cent by industry and 20 per cent by the US government, the Media Laboratory has 75 sponsoring companies, including the largest names from the world of media, computers and telecommunications. They include Knight-Ridder and Reuters, Apple and IBM, BT and Deutsche Bundespost.

Many of the dozens of ideas under investigation at the laboratory's elegant headquarters in Cambridge, Massachusetts involve the admittedly futuristic. One long-term project involves holographic video. Already, researchers using large-scale computing power can project and manipulate the holographic image of a car. Within five years or so the technology could be used in medicine to display images of the human body.

Other work is more immediate. Media Laboratory researchers contributed some of the sophisticated code which controls the movement of the dinosaurs in the compact disc game being released with Jurassic Park, the new Steven Spielberg film.

Researchers were dismissed as "nuts" when they proposed putting computing power into childrens' bricks. Now this is the basic of a successful programmable toy.

The laboratory's researchers also claim a contribution to the development of PS/2, IBM's top-of-the-range PC. "I can open a PS/2 and point to circuits that came out of the Media Laboratory," says Negroponte.

Even though not all the ideas generated by the Media Laboratory will find their way into products, many heavyweight industrial backers are happy to pay their share of the \$12m-a-year running costs, just in case. As sponsors, they have access to the venture's work.

There are few serious media organisations which are not watching closely the convergence of computers, telecommunications and broadcasting in a new digital world and trying to work out the implications for their businesses.

According to Negroponte, every computer company at the higher end of the market is now involved in multi-media, while television manufacturers are also putting more computing power into their products.

But in the broadcasting equipment market, he believes the computer companies will emerge victorious over traditional manufacturers. "In five years' time, you will go to broadcast studios and see logos that say IBM and Digital Equipment; you won't see Ampex or Grass Valley. They don't bring anything to the market any more. You are not doing video any more, you are doing general signal processing," says Negroponte.

He predicts that hundreds of new television channels and the ability to squirt film down telephone lines will create a video-on-demand business worth \$20bn a year in the US alone. Forecasting is not, however, the way Negroponte describes what the Media Laboratory does. "The best way to predict the future is to invent it. We are not forecasting. We build working prototypes. The 300 people here are inventors."

This includes the Media Laboratory researcher who, Negroponte says, has just discovered how to put 5,000 hours of piano music on a single compact disc. Negroponte has told the researcher he will probably have to live the rest of his life with Fatwa-threatened author Salman Rushdie if the music industry finds out.

Geoffrey Davies looks at developments in the newsroom

Tape hits the cutting floor

Broadcasting from tape could soon be a thing of the past as television stations make increasing use of computers and special software to replace traditional tape technology.

New tapeless editing equipment, developed with the help of the British Broadcasting Corporation and Cable News Network of the US, is being launched at this week's bi-annual TV equipment show in Montreux, Switzerland.

Called the "NewsCutter", and produced by Avid Technology, it is a full news-style edit suite of tape machines and monitors on an Apple computer which is capable of broadcasting directly to air. Both the BBC and Independent Television News, its UK rival, are evaluating the product and Avid hopes other European broadcasters will show a strong interest.

Avid's equipment works through the compression of digital pictures, with data squeezed into ever smaller spaces on hard disc. It then uses other software to allow editors to call up pictures instantly from disc.

Based in the US, Avid is prominent in the tapeless editing market. It will shortly open a European service and distribution centre outside Dublin.

Avid's move into broadcast news has been helped by a partnership with Silicon Graphics of the US to provide equipment which allows video to be swapped between different machines in the newsroom.

The process of editing video on disc is called "non-linear" because it is not done in a line, as with normal editing on tape. It is akin to moving paragraphs within a document on a word processor.

Avid is one of several companies selling into this growing market. But unlike competitors such as Lightworks and Eidos, both of the UK, which have tended to stay with commercials and broadcast programming, Avid is involved with both news and feature film production.

Stephen Crummey, vice-president of world sales and marketing, says there are more than 1,500 Avid machines installed worldwide, 100 in Hollywood alone.

Avid adapted its Film Composer for film use from the Media Composer, which was designed for Pal or NTSC television standards. Based on a powerful Apple Quadra 950 computer, Film Composer transfers images from tape or film on to hard disc, a process called "digitising".

Shots are labelled using the keyboard and then read by the computer as reference numbers, usually based on the time-codes recorded during shooting. Shots can then be laid out in the edited order to run as a sequence.

To change the sequence, the film editor simply re-orders the sequence in which the shots are to appear. Once a shot is moved, it can be viewed instantly in its new position. When the edit is agreed, the list of edit numbers is taken on a floppy disc and the originally shot material is then reassembled in the new editing order.

The Media Composer has 24 channels of compact disc quality sound which can be dubbed and mixed while the pictures are being edited. The completed sound track is then added to the edited pictures. The BBC's political programme, On the Record, has been working this way for more than a year.

But the big breakthrough for the industry is the ability to obtain broadcast-quality pictures directly from hard disc. This results from developments in video compression and disc speed. One second of broadcast-quality television represents 25 megabytes of data. This is compressed nearly tenfold to about three megabytes. Taped pictures which have been digitised can be held on removable hard drives of about 20 minutes' airtime.

One impact of the technology will come in the area of cost. Avid's NewsCutter, costing \$50,000 in the US, is half the price of an equivalent edit suite. Also, the new equipment needs no special installation such as wiring and air conditioning. The BBC has already stopped using several edit suites since it first introduced non-linear editing.

PEOPLE

At 40 to Forte

The rejuvenation of Forte, Britain's largest hotel and restaurants group, continues with the hiring of United Distillers' Keith Hamill (below) as chief financial officer and finance director designate.

Last month, Lord Forte handed the helm to his son, Rocco Forte, and a handful of other directors, with over 200 years of service to the company between them, also stood down from the board. At the same time, the company has also been actively recruiting at just below board level over the last year or so. "It is a much more forward-looking group

than it was a year or eighteen months ago," comments Peter Hilliar, an analyst at BZW.

Forte has arranged for a considerable handover period, as the current finance director, Donald Main, who has been in the job since 1981, does not retire until the end of 1994 when he turns 60. Main says he expects Hamill, 40, to move onto the board as finance director at the beginning of next year, leaving him with time to devote to other areas, notably disposals.

Meanwhile, colleagues at United Distillers express no surprise that Hamill is off after Philip Yea, the 37-year-old director of Guinness Brewing Worldwide, was appointed Guinness group finance director designate in a reorganisation initiated as Tony Greener took over as Guinness' chairman at the turn of the year.

Hamill was previously a partner of Price Waterhouse, engaged on the Guinness audit at the time of the scandal, joining the company full-time eighteen months after Ernest Saunders resigned. Analysts agreed that in addition to his accountancy skills, he had already demonstrated considerable commercial savvy, which would be important for his new role at Forte.

Of his workaholic reputation among Distillers colleagues Hamill says: "Now I have turned 40, I have set myself objectives of being less of a workaholic." He points out that he is keen to keep a variety of outside interests – he is chairman of the CBI financial reporting panel, a member of the urgent issues task force of the Accounting Standards Board (where Main is a member of the board), and is very active for his almer mater, Nottingham University.

Main sits on the board of the Savoy, the luxury hotel group with which Forte has clashed frequently in its takeover attempts during the last decade. But he was non-committal as to whether he would be stepping down in favour of Hamill. "It's so far away I can't really say" was Main's comment yesterday.

Harmon post

James Harmon, chairman and chief executive officer of Wertheim Schroder, and a director of UK merchant bank Schroders, has been appointed a non-executive director of The Rank Organisation.

Lord Carrington has been appointed a non-executive director of Chime Communications, the holding company of public relations advisers Lowe Bell Communications Group. Lord Carrington was foreign secretary from 1979-82. He has just stepped down as chairman of Christies International and last year was chairman of the EC conference to resolve the Yugoslavian conflict. Chime Communications is chaired by Sir Tim Bell.

Lloyd replaces Lloyd

Peter Lloyd, one of the founders of the insurance and reinsurance broker, Lloyd Thompson, is to retire at the end of the year. He will be replaced by his namessake and co-founder, John Lloyd.

Peter Lloyd is 55, and will advise the group on its Norwegian marine business, while John Lloyd, who has held several senior positions within the group, will maintain his responsibilities for the group's energy accounts.

Insurance moves

■ Keith Moyle, finance and underwriting director, has been appointed general insurance director of TSB GENERAL INSURANCE.

■ John Kavanaugh has been appointed md of BAIN CLARKSON's international division, taking over from David Berliand who remains chairman of the division and deputy chairman of Bain Clarkson.

■ James Hughes-Hallett, a senior director of the Swire Group, has been appointed to the board of SWIRE FRASER.

■ Nigel Alexander has been appointed a director of DOMESTIC AND GENERAL.

■ Martin Wibberley, previously director of human resources at Robert Bosch's UK subsidiary, has been appointed group personnel and organisation director of ALLIED DUNBAR.

Saved, but only by its Bacon

William Packer finds the Venice Biennale an ill-assorted mess

This, the 45th Venice Biennale, actually moved on an extra year this time to get onto the odd numbers in readiness for its centenary in 1995, is larger than ever, not only in its various manifestations at sites across the city and out into the lagoon, but also in the scope of its critical ambition. That is not to say it is any the better: indeed, it is overall an ill-assorted, uncritical and self-indulgent mess.

In the days when the Biennale was more or less confined to its principal site in the public gardens of the Castello in a huge central pavilion surrounded by its satellite national pavilions beneath the trees, there was always the chance at least of a certain concentration of attention, if only for the sake of a reasonable comparative discrimination between the particular contributions. Even the bringing of *Aperto*, theselective international survey of younger artists' work, closer to hand at the *Corderie* might once have been seen in this respect as the bringing of an unruly offspring somewhat to heel.

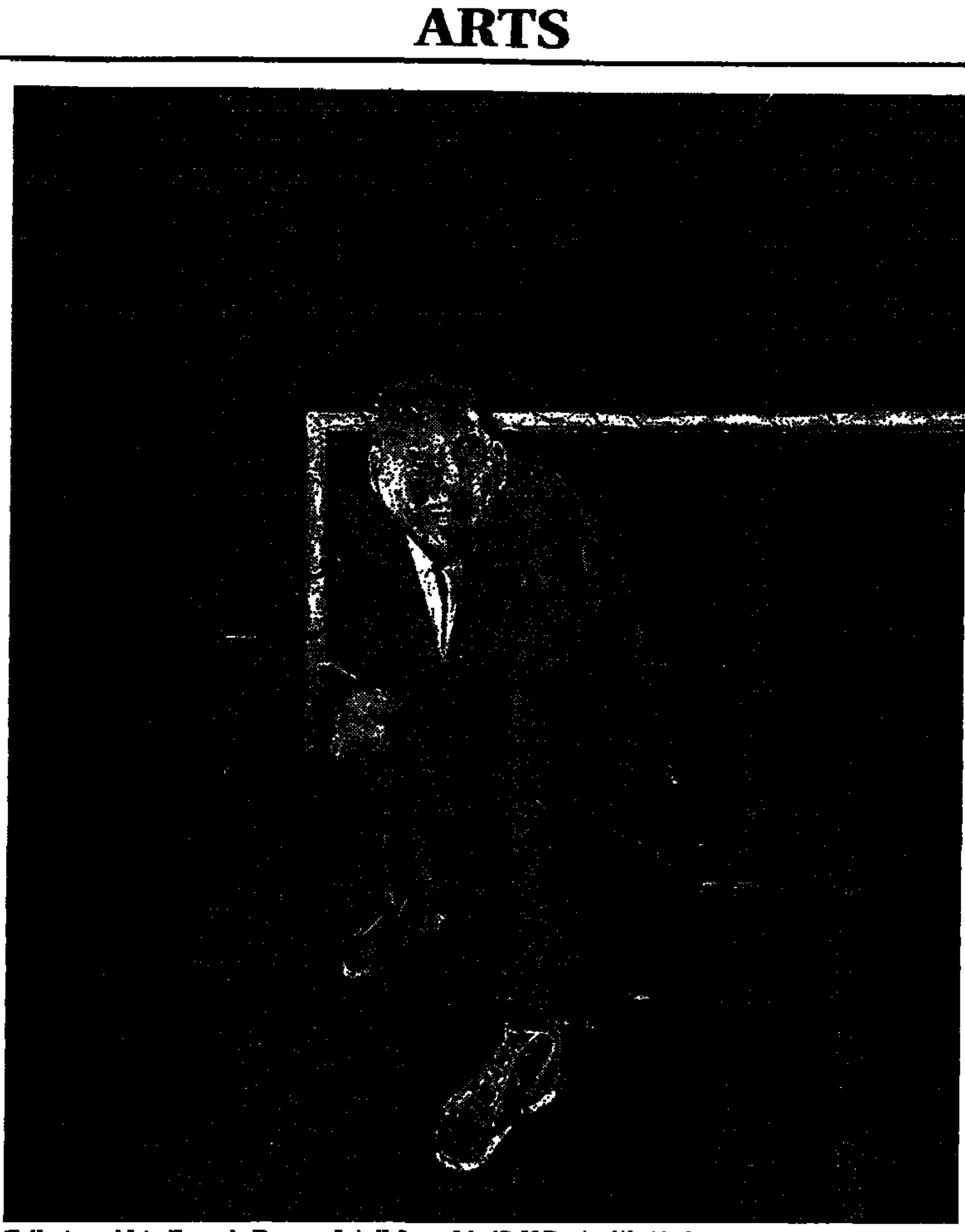
But *Aperto* is irredeemably delinquent and unbiddable, devoid of talent or interest, merely thrashing around in the playpen of late 20th-century academic modernism, without even the possibility of some personal development that the average playschool would offer up in modest justification. And increasingly the *Aperto* seems to set the tone of successive Biennales, the tail that wags the dog.

Achille Bonito Oliva, the new director of the Biennale, gives us "the cardinal points of art" as his curatorial theme, setting out "to document the transition within contemporary art from the concept of nomadism to that of the journey, wherein art's search for orientation in this epoch of epistemological crisis is conducted within its own points of reference". Well, we see what he means. Do your own thing and anything will do. Installation is the universal convention, and if you have a video screen to perk it up a bit, so much the better.

In any such jamboree, of course, there are bound to be beautiful and interesting things and I shall return to the matter and substance of the Biennale at the weekend. But of all the several features of the Biennale as it has developed over recent years, one seems more and more to be positive, useful and redeeming. The *Omaggio*, a tribute paid by the Biennale to a senior and distinguished artist, is given this time to Francis Bacon, who died a little over a year ago. David Sylvester, who himself has been given a Golden Lion at this Biennale for his life's work as a critic and curator – a unique award in that he is not an artist – was asked to select the work, and worked with the British Council on its presentation.

Thank goodness for small mercies. The result is quite simply the outstanding exhibition of this Biennale, as indeed it would have been at a Biennale far better than this. It is by no means large, a mere 32 works in all, but it carries an *enormous punch. For Sylvester* managed to obtain the greater part of his desired selection and has included a significant number of the large triptychs. It is beautifully presented in the Museo Correr, in the Piazza San Marco, quite rightly centre stage. As a celebration of the achievements of a particular artist it holds its own not just in the context of the Biennale but in this, the city of the greatest painting.

More to the point, it is a show that effectively modifies, or rather shifts one's view of Bacon and his work. I had always felt that his standing as one of the truly great painters of the later 20th century rested upon his work of the first 20 years or so of his career, from the first small triptych of 1944, of figures at the base of a crucifixion, to the first Tate retrospective of 1964, of which Sylvester again was the curator. What followed was impressive and consistent enough to sustain his reputation, but did not exactly take it further. It was as though the range of his attention had narrowed – no more animals, popes, Van Goghs – the colour become more predictable, even decorative, the space curiously conventional and repetitive, the handling and description of his distorted and rising figures oddly safe and unadventurous. In short, the work had become formulaic to a certain degree.



Tribute paid to Francis Bacon: detail from his 'Self-Portrait', 1956

This show has made me think again, not so much to revise that view altogether but at least to recognise that in certain aspects of the later work the qualities of those first two great decades, the simple dark strength of the organisation of the pictorial space, and in particular its severe and essentially frontal presentation remained. And there are still to be found the simple authority of the imagery, and the raw energy of the painted self in its handling across the surface of the canvas. "Much has changed", as it were, "but much remains", the work still charged and developing under the hand of manifestly the same creative sensibility.

However, nothing has changed the extraordinary authority or the power to shock of those early works, represented here in remarkable force by a clutch – I use the word advisedly – of gaping, disembodied mouths, teeth bared and rearing all but physically out of the very stuff of the paint itself. There has surely been no painting since Soutine in which the image and the fabric of the work are so bound in to each other – Van Gogh, Goya, Rembrandt, Titian: it is a long and great tradition.

Bacon did not declare himself as a great artist until he was 35. He was in his pomp thereafter for nearly 50 years more, and was 83 when he died. He stood supreme in our time, yet curiously isolated as the last true surrealist, expressionist and, in his own peculiar way, romantic. There could be no better summary of his achievements than this exhibition.

Francis Bacon. Museo Correr, Piazza San Marco, until October 10: sponsored by Seat Automobile. The 45th Venice Biennale throughout the city also until October 10

Opera/David Murray

Benvenuto Cellini

Never more than a semi-success during Berlioz's lifetime, on Sunday in the Queen Elizabeth Hall his 1838 *opéra semi-seria* proved to be a marvellous tonic – as Chelsea Opera Group concert-performances regularly are. The Group's knack for choosing exactly the operas that will reward current revival, and bestowing historical care and dramatic flair upon them in equal measure, makes their concerts indispensable fixtures in the London season.

Their *Cellini* was rewarding even beyond their excellent norm. It says a lot for a performance three-and-a-quarter-hours long in concert dress without any pretence at staging, that it not only held the delighted attention of a full house but actually went from strength to strength. The COG has given the opera before, but only in the compromised "final" version that Berlioz accepted for Liszt's Weimar performances in the 1850s. This time they borrowed the fine Royal Opera recension, which restores most of the original Paris score but sensibly trims the spoken dialogue *and* the later recitatives.

From the Overture forward the conductor Adrian Brown's just tempi and energetic confidence were relishable, whilst his four-square rhythms and his disregard for the characteristic bated-breath *pianissimi* were a touch disappointing. Something of Berlioz's volatile magic was lost. Yet in the end, energy won through: unhampered by the weight of a stage production, the score cantered along at a lively, natural pace, with satisfying variety and not a single *longueur*. The COG chorus was good as ever, if run slightly ragged in the quickest music.

The nine soloists, however, made a team of real distinction – boasting a level of French diction unheard-of hereabouts even ten years ago. In lesser roles, Michael Hart-Davis whined nasally but musically as the fretful Innkeeper, and Lynton Atkinson and Martin Higgins brought alert character and cutting edge to Cellini's chief assistants. For his patron Pope Clement VII Brian Bannatyne-Scott's rich, ruminative bass served admirably.

Dour and funny, Jeremy White was no less stylish as the Papal treasurer Balducci, Cellini's unwilling father-in-law-to-be. As the son-in-law he would have preferred, Geoffrey Dolton's clever, idiomatic Fieramosca rose to heroic defiance in his Act 2 aria. As Cellini's apprentice Ascanio the young mezzo Margaret McDonald cut an irresistible figure in breeches, displayed a remarkable vocal range and made a huge, unabashed success of *her* Act 2 party-piece – Offenbach before his time.

Not long ago, Teresa Cahill sang a lovely Daphne for the COG in Strauss's opera. As Balducci's daughter Teresa here she made an unlikely 17-year-old, with a mature soprano's sumptuously spreading tone where her *inamorato* sported a youthful, tightly focused tenor; but her ripe musical thrust carried all before it, full of generous, subtle feeling in a role that makes relentless vocal demands. A couple of dodgy top-notes made no difference at all.

Meanwhile her Cellini, Justin Lavender, fulfilled his promise of recent years with springing *élan*. He has made a speciality of those 19th-century French roles which prescribe a cruelly high tessitura for modern tenors, from whom a lusty, full-throated attack is now expected where their period predecessors probably got away with mere head-voice. In earlier Lavender performances the strain has occasionally showed, even while he shaped a vigorously elegant line. This time, as the challenges rose he not only met them with ringing assurance, but left himself room still for wry asides in roguish character. Berlioz would surely have been delighted.

Jazz/Garry Booth

Freddie Hubbard

Jazz trumpet players can be a surly lot, full of brooding bravado, often unpredictable on the stand and sometimes leading colourful lives off it. Think of Miles Davis, back to the audience, hunched over his horn for a few precious notes before abruptly leaving; Lee Morgan, the great attacking trumpet of hard bop shot dead onstage by a jealous lover. Last time I saw mainstreamer Ruby Braff he was inciting a usually mild mannered Brecon crowd to riot by the simple device of continuously telling them to shut up.

So it is with American Freddie Hubbard, currently and grumpily touring his talented acoustic quintet across Europe. Last week, in the New Morning, a grotty but friendly club by the Boulevard St Michel, I sat through one and a half hours of slow hand claps until the gangsterish Hubbard sauntered through the front door rubbing his belly. In Paris, the wait was hardly worth the four hard bop standards Hubbard dispatched before complaining of a bust lip: in retrospect, the time might better have been spent listening to the quartet of promising young tenorist Javon Jackson, pianist Ron Mathews, and a cracking rhythm section of Louis Hayes on drums and young bassist Jeff Chambers.

But it was easier to forgive him the (over 90 minutes) wait in London – at least we had two sets. And once he had grown accustomed to the reverberating acoustics of the Union Chapel, Hubbard did at last stretch out on the fluegelhorn. Grappling with the echo chamber effect and faulty equipment in Islington Hubbard flew through "Straight No Chaser" brassy and bright, following up with a sparky rhumba, "Bolivia", the leader pacing nervously, trilling occasionally. A tough and boppy "One of A Kind" provided Hayes with his third driving solo of the evening and Jackson an opportunity to construct a measured and gentle passage without his leader's interruption – he had disappeared backstage.

By the second set, Hubbard gave up his unequal struggle with equipment and imprecise acoustics and standing away from his microphone turned in a flaring ballad, "God Bless The Child", the burnished tone of the fluegelhorn pitched beautifully into the high ceiling. Absorbed in his playing at last, the full warm sound centred in a good tune, Hubbard showed how he maintains a place at the top of the trumpet league. By finishing the set on "Ease It", however, which featured Chambers' bass while Hubbard again left for backstage, he demonstrated his weakness as a leader and how precarious that ranking is. Worth the wait, but only just.

Theatre/Andrew St George

Springboards Festival: 'Syme'

The National Theatre's Springboards Festival of new work in Leicester, Liverpool, London and Salisbury continues at the Birmingham Rep Studio with *Syme*, a curious, quirky play about dissent in the police force.

Inspector John Syme (1875-1945) joined the Metropolitan Police in 1894, was suspended in 1909 and dismissed in 1910 over an incident which set his own liberal practice against the dictates of discipline and duty within the establishment. Syme saw the police force as a civil organisation, and his dismissal as a worrying gain for officialdom. He wrote in 1925: "in the future... no Civil Servant will be safe if, in the performance of his or her duty to the Community, he or she expresses an opinion contrary to some one in authority over them." That is the issue.

Between 1910 and 1931, Syme conducted a blazing public relations campaign for his innocence. It included 10,000 pamphlets to opinion-formers, and a deluge of fruit and veg pelted at the Home Office, rather like a hustings scene from Smollett. Syme was imprisoned 27 times on various grounds, including lunacy. On each occasion he staged a hunger strike, as if the sentence were little more than a spell at Champneys. In 1931 he was retroactively pardoned and reinstated. During this time, this apparently inveterate convict founded the National Union of Police and Prison Officers.

This makes engaging if not dramatic theatre, well directed by Anthony Clark, who gets versatile performances from all seven cast. Claude Close as Churchill, Peter Macqueen as Syme and Maria Gough as his tireless wife are particularly attuned to the times. The fine encounter between Syme and Home Secretary Churchill, standing at the top end of a sloping desk, manages a visual metaphor for social and political power. Elsewhere, the barge-footed policemen are just jolly coppers on parade: "Rules is rules, Inspector Syme, and *the law is the law.*"

The play's 31 scenes march briskly forward to music hall and military bands. The tunes are so like de Souza's *Liberty Bell* and the designs (Ruari Muchison) so redolent of Terry Gilliam, that the show has an air of Monty Python.

In fact, *Syme* (written by Michael Bourdages) is in praise of wronged eccentricity. Syme's sad history proves that the English love to revert to rules. And where traditions or customs are the rule of conduct rather than individual character, both individual happiness and social progress are jeopardised.

Wedlock – The Opera

Babel Theatre won a London Fringe award for Best Musical last year with *Pin Money Opera*. Now writer Tina Jones and composer Warren Wills have come up with *Wedlock – The Opera*, which takes a mordant, not to say apocalyptic, view, of the run up to a wedding. Marriage rituals have always provided good material for studying contemporary hypocrisies. Add a touch of Lear, with a single parent and three daughters, and you are well on the way to delivering a script.

Sister Sarah (Lisa Bowerman), normality incarnate, is getting married. Sister Kate (Anna-Juliana Clare), gay, sensible, and very much the heroine, advises caution. Sister Rachel (Rosamund Shelley), whose problems provide full employment for a stream of social workers, plans to use the ceremony for an act of domestic revenge. Mother Sylvia (Pauline Monro) buries herself in shopping and sherry. Will the ceremony draw the family together, or provide the catalyst for radical reappraisal?

There is something about music theatre which shrinks characters to a single dimension. It is as if you cannot sing and develop a role at the same time. But the gain is that however simple – not to say banal – the plot, the music can raise the experience. Jones and Wills are not over-ambitious but they have developed an attractive formula, which is neither opera, nor pop, nor Andrew Lloyd Webber. The songs are simple, but sometimes have a haunting innocence, sometimes a haunting power, and propel a broken backed story line.

Despite yourself you get drawn into this unlikely family, with more skeletons in its cupboard than the Black Museum. Of course, with the predictable child abuse, infidelity, and lies, the institution of marriage has acquired responsibility for all the evils of our generation. *Wedlock* recklessly perpetuates the myth.

Yet it delivers the message with passion. Su Bentinck's set at the Battersea Arts Centre, in which cupboards replace doors, is worrying rather than useful, but the piece spins the imagination, thanks to the music. Warren Mills mans the piano; Anthony Cornish directs.

Antony Thorncroft

BAC 071-223 2223. Until July 4

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

Concertgebouw Tonight: Janos Furst conducts Radio Philharmonic Orchestra in works by Schoenberg and Bartok. Tomorrow, Thurs: Edo de Waart conducts Royal Concertgebouw Orchestra in Strauss, Glazunov, Vaughan Williams and Bernstein. Sat: John Eliot Gardiner conducts English Baroque Soloists and Monteverdi Choir in concert performance of Le nozze di Figaro, with Alison Hagley and Bryn Terfel. Sun afternoon: Stefan Soltesz conducts Flanders Opera Orchestra and Chorus in works by Beethoven and Stravinsky (reservations 671 8345)
Beurs van Berlage Thurs: Kenneth Montgomery conducts Radio Symphony Orchestra in works by Torke, Feldman and Gorecki. Fri, Sat, Sun: Erts, ballet by experimental Belgian choreographer Anne Teresa de Keersmaeker. Fri, Sat (Wang Zaal): Hartmut Haenchen conducts Netherlands Philharmonic Orchestra in Strauss and Shostakovich. *Sun afternoon:* Robert King conducts Netherlands Chamber Orchestra in Vivaldi, Corelli and Geminiani (627 0466)
Muziektheater Tomorrow, Fri, Sun afternoon, next Wed: Simon Rattle conducts final performances of Peter Sellars' Holland Festival production of Pelléas et Mélisande, with Philip Langridge, Elise Ross and Willard White. Thurs, Sat, next Mon and Tues: Dutch National Ballet presents Frankenstein programme, choreographies by Balanchine, Wayne Eagling and Laurie Booth (625 5455)
Stadsschouwburg Thurs and Sat: Deutsches Theater Berlin presents two stagings by Thomas Langhoff, Ibsen's Ghosts and Kleist's The Broken Jug (320 2500)

■ BRUSSELS

Palais des Beaux Arts Tonight: Philippe Herreweghe conducts Ensemble Vocal Européen in Lassus' Lagrime di San Pietro. Tomorrow: Ronald Zollman conducts Belgian National Orchestra in a programme featuring prizewinner of Queen Elisabeth Violin Competition (507 8200)
Monnaie Tomorrow, Sat (also June 22, 24, 27, 29): Antonio Pappano conducts Kurt Horres' production of Meistersinger, with José van Dam, Dale Duesing and Margaret Jane Wray (219 6341)

■ ANTWERP

ANTWERP 93
This week's performances include Ivo van Hove's arrangement of Shakespeare's Hamlet daily till Sat at Bourla, a performance of the early Flemish polyphonic masterpiece Mis van Doornik performed by Ensemble Organum at St Augustinus on Fri, and sacred music by Josquin Desprez and Pierre de la Rue performed by Ensemble Clement Janequin at St Augustinus on Sun (226 9300)
FLANDERS OPERA
The final production of the season is Manon Lescaut, the latest in a Puccini series staged by Canadian director Robert Carsen. Evelino Pido conducts a cast led by Miriam Gauci. Next performances Thurs and Sat, also June 24, 27, July 2 (233 6685)

■ CHICAGO

RAVINIA FESTIVAL
The opening week is devoted to jazz. Tonight's guest is Shirley Horn Trio, followed by Joe Henderson Trio tomorrow, Betty Carter on Thurs, Stephane Grappelli and Ramsey Lewis on Fri, Oscar Peterson on Sat and all-star jam on Sun. Guarneri Quartet plays works by Haydn, Dohnanyi and Schubert next Mon, and the Chicago Symphony gives its first concert on June 25 (Tel 312-728 4642 Fax 708-433 4582)

■ FELDKIRCH

The annual Schubertiade, now permanently transposed from Hohenems to Feldkirch, opens tomorrow and runs till July 3, with a special focus on Schubert's Goethe settings. Recitalists in the opening week include Barbara Hendricks, Oliver Widmer, Peter Schreier, Andras Schiff and Alfred Brendel (Schubertiade Feldkirch, Schubertplatz 1, Postfach 625, A-6803 Feldkirch, Austria. Tel 5522-38001/fax 5522-38005)

■ GENEVA

● The final production of the season at Grand Théâtre is Le nozze di Figaro, in a revival of Nicholas Hytner's staging conducted by Armin Jordan. The cast is led by Marie McLaughlin, William Shimell and Ferruccio Furlanetto. Next performances tomorrow, Sat and next Tues, also June 25, 28, 30 (311 2311)
● Neeme Järvi conducts Suisse Romande Orchestra in four Stravinsky programmes over the next two weeks at Victoria Hall. The first concert on Fri consists of Symphony of Psalms and Oedipus Rex, with Gabriele Schnaut and Franz Grundheber. Other concerts: June 23, 29, July 2 (311 2511)

■ VIENNA

Staatsoper Tonight: Die Zauberflöte. Tomorrow: John Neumeier's ballet A Midsummer Night's Dream. Thurs: Siegfried with Siegfried Jerusalem and Hildegard Behrens. Fri and next Mon: Cav and Pag. Sat: Ariadne auf Naxos. Sun: Götterdämmerung (51444 2955)
Konzerthaus Tonight: Kurt Masur conducts Leipzig Gewandhaus Orchestra in works by Peter Ruzicka and Mahler. Tomorrow: Thomas Zehetmair violin recital. Fri and Sun: Rafael Frühbeck de Burgos conducts Rakhmaninov and Strauss, with piano soloist Oleg Maisenberg. Sat afternoon, Sun morning: Yo Yo Ma plays Schumann's Cello Concerto. Sat evening: Hans Vonk conducts concert performance of The Rake's Progress, with cast led by Yvonne Kenny and Alastair Miles (712 1211)
Theater an der Wien Tomorrow: first of four performances of Piccolo Teatro di Milano production of Goldoni's Le baruffe chiozotte directed by Giorgio Strehler (5883 0237)
Akademietheater Thurs: first night of George Tabori's play Requiem for a Spy (51444 2959)

■ WASHINGTON

THEATRE
● The World Goes Round: award-winning Broadway musical celebrating the careers of composer John Kander and lyricist Fred Ebb, daily except Mon till June 27 (Kennedy Center 202-467 4600)
● Sylvia's Real Good Advice: musical comedy inspired by cartoonist Nicole Hollander's comic strip. Opens tomorrow, till July 11 (Horizon Theater at the Marvin Center of GWU 202-994 6178)
● Much Ado About Nothing: free outdoor performances of Shakespeare's romantic comedy, daily till Sun. Tickets from Shakespeare Theater, Washington Post or Carter Barron (Carter Barron Amphitheater 202-393 2700)
● The Tempest: Washington Shakespeare Theater production. Till June 26 (Gunston Arts Center, Arlington 703-739 9886)
MUSIC
Filene Center Tomorrow: Carole King. Thurs: National Symphony Orchestra presents an evening with Dudley Moore. Fri: Beethoven's Ninth Symphony. Sat: National Symphony Orchestra Broadway evening (703-218 6500)
Blues Alley Jazz Supperclub Tomorrow till Sat: vocalist Dianne Reeves (1073 Wisconsin Ave, in the alley, 202-337 4141)
Merriweather Post Pavilion Tomorrow: Lynyrd Skynyrd and Bad Company. Fri, Sat, Sun: Jummy Buffett (301-982 1800)

■ ZURICH

JAPAN IN ZURICH
This week's highlight is Yukio Ninagawa's version of Euripides' Medea, daily from tomorrow till Mon at Theater 11. Modern Japanese dance, choreographed by Fumi Matsuda, can be seen daily till Sun at Areal des Kanzleischulhauses. Hiroshi Wakasugi conducts Tonhalle Orchestra in works by Takemitsu, Schnittke and Tchaikovsky on Thurs at Tonhalle, with violin soloist Gidon Kremer. Joji Hattori plays Bach violin concertos with Zurich Chamber Orchestra on Fri. Eiko Furusawa and friends play chamber music by Brahms and Ligeti on Sun. Tickets (221 2283)
OPERA
Tonight and Sat: Rafael Frühbeck de Burgos conducts Cesare Lievi's new production of Ariadne auf Naxos, with Gabriela Benackova, Edita Gruberova, Josef Protschka and Hermann Prey. Tomorrow: Tosca with Mara Zampieri and Neil Shicoff. Thurs: Bernd Bienert's production of Nutcracker. Sun: Ralf Weikert conducts revival of Bob Wilson's production of Lohengrin, with Gösta Winbergh, Lucia Popp and Anja Silja (Opernhaus 262 0909)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(All times are Central European Time)
MONDAY TO THURSDAY
Super Channel: European Business Today 0730; 2230
Monday Super Channel: West of Moscow 1230.
Super Channel: Financial Times Reports 0630
Wednesday Super Channel: Financial Times Reports 2130
Thursday Sky News: Financial Times Reports 2030; 0130
Friday Super Channel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0530
Saturday Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230
Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

Japan's best face forward

The hosts of the G7 summit in Tokyo could emerge as the winners, writes Peter Norman

In their heart of hearts, the leaders of the Group of Seven industrial countries must be wishing that next month's Tokyo economic summit was not taking place.

The US, Japan, Germany, France, Britain, Italy and Canada – as well as Russia and the European Commission, which have supporting roles at the meeting – will be sending politicians of much-diminished stature to Tokyo's Akasaka palace between July 7 and 9.

The euphoria that accompanied the fall of the Berlin Wall and the end of communism – which infused the three previous G7 summits in Houston, London and Munich – has long gone. Instead of providing a rich harvest of support, the triumph of democracy and the market economy after more than 40 years of cold war has left the seven government heads deeply unpopular.

The reasons are not difficult to discern. The industrialised economies are either in recession or, at best, fitful recoveries that will do little to foster the "feel-good factor" among disgruntled voters.

Unemployment, according to the Organisation for Economic Co-operation and Development, is heading upwards towards 36m in its 24 industrialised member states and is likely to keep rising in most countries over the next 18 months.

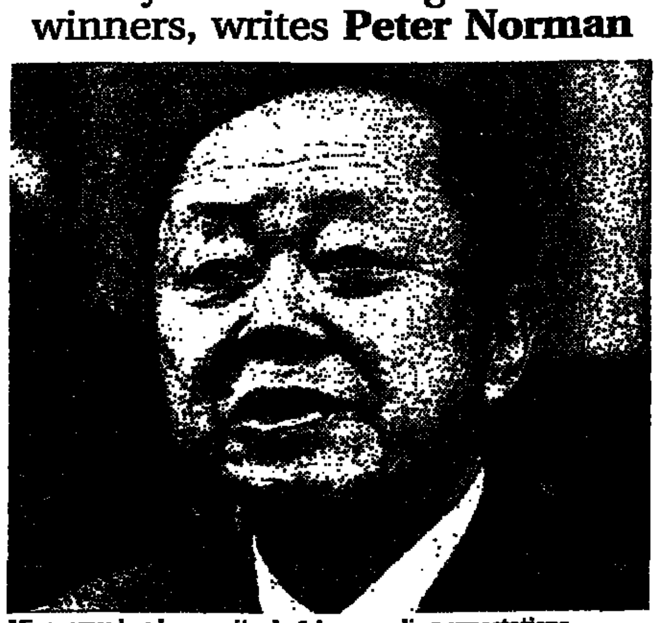
The geo-political outlook. is, if anything, worse. The brutal civil war in Bosnia has all but buried hopes of a "new world order" to follow the collapse of Soviet power. The latest crisis in Somalia casts serious doubts on the ability of the United Nations to grow into the role of a supranational referee bringing order to regional conflict.

Problems at home have made G7 governments and electorates increasingly inward-looking. In today's parochial times, G7 leaders could lose as much as gain from being seen with their counterparts at yet another international meeting.

Governments like to think that G7 summits can increase consumer and business confidence. But it is difficult to believe that three days of strutting, eating and talking in Japan's mini-Versailles will gull the west's increasingly cynical television viewers into believing that happy days are here again.

However, it is possible to take a more optimistic view of the summit – both for the world and for the host nation, Japan.

The hope, propagated by the US and encouraged by this month's OECD annual ministerial meeting in Paris, is that Tokyo will mark a vital step towards final agreement on the much-delayed Uruguay Round of trade liberalisation talks.



Miyazawa: has begun ritual of downgrading expectations

Trade ministers from the US, Japan, Canada and the European Community are negotiating an extensive tariff-cutting agreement for industrial products and services to form part of a final Uruguay Round settlement. If their next round of talks in Tokyo on June 23 and 24 produces an agreement that can be finalised and endorsed by the G7 leaders, the summit may give a decisive boost to the seven-year-old Round and so have helped solve the trade talks impasse.

But the so-called market access agreement is only one of many problems to be solved if the trade round is to be completed by the new deadline of mid-December. The US and Japan are at loggerheads over US demands that Japan accept numerical targets to reduce its huge trade surplus. A fight is also brewing between Japan and the EC over limits to the sales of Japanese cars in the community. Big difficulties have to be overcome within the EC and among the G7 before agreement is reached on agriculture and other open issues in the trade round.

Mr Koichiro Matsuura, the Japanese government "sherpa" responsible for preparing the economic side of the summit for Mr Kiichi Miyazawa, the Japanese prime minister, last week put a slight damper on hopes that the Uruguay Round might be settled this year. "I cannot be totally optimistic," he told visiting journalists in Tokyo.

Other big problems offer little chance of a summit "success". Although Mr Miyazawa has said that helping the former Soviet Union become a democracy with a market economy "is going to be the most important issue", it is difficult to see the G7 doing much more. A strategy for helping Russia was agreed in April. It is now up to President Boris Yeltsin, who will join the talks on the final day, to implement agreed plans so that Russia can qualify for promised western financial assistance.

Despite US pressure, there is little chance of action by Japan or Germany to boost the world economy. Japan insists that it has done enough to boost demand through two fiscal stimulus packages in the past 10 months. Fears for the D-Mark's stability are limiting the Bundesbank's appetite for decisive interest rate cuts in spite of recession in Germany.

While there will be much serious talk about regional conflicts, the non-proliferation of nuclear and other weapons of mass destruction, and a greater role for the United Nations, it is unclear whether initiatives will emerge in these areas.

Little wonder, therefore, that the Japanese government has begun the time-honoured pre-summit ritual of downgrading expectations. "Don't expect much out of a three-day meeting," warns Mr Matsuura. Mr Kunihiko Saito, the deputy foreign minister preparing the non-economic side of the summit, says he does not "think we can expect any tangible specific results".

But that, for Japan, might be the best of all possible outcomes. This summit – the third in Tokyo since the late 1970s – could break the rule by which Japan, as host, emerges as the loser.

In the past, Japan's G7 partners have been able to capitalise on the reluctance of governments in Tokyo to have international rows occurring on home territory. This year, the hosts seem in a feistier mood.

Japan has already taken the high moral ground on trade, rejecting the US goal of setting bilateral numerical targets for deficit reduction as "managed trade". Japan also has offered widespread tariff reductions to help bring about a market access agreement.

Although Japan itself is likely to emerge only gradually from its current period of very slow growth, its economic performance this year is likely to be better than nearly all its G7 partners. It can also present itself as sole representative at the summit of east Asia, a region that is growing faster and, in Tokyo's view, is politically more stable than other parts of the world.

Tokyo is likely to step carefully in pressing claims such as Japan's desire for a permanent seat on the UN security council. But officials are unusually forthright when putting their case. "We think Japan is qualified to be a member of the security council," was Mr Saito's comment last week.

Although Japan has stressed that the summit will not be a decision-making event, it will nonetheless be an important event in the Japanese calendar. Out of the mess of the post-cold war world, Japan may emerge with its standing raised rather than lowered.

Joe Rogaly

Where Right is wrong

The New Right is no longer triumphant. Its precepts are being challenged by conservatives. Its doctrines are receding into the history of political thought. Soon it will be regarded as the Old Wrong. The question of the turn of the century is, what is to come next? One answer (not mine) could be a mild, unambitious conservatism.

So runs the dream of the Menshevik, or non-Thatcherite, wing of Britain's Conservative party, which hankers, whether it knows it or not, for a return to a period of quiet, traditional conservative government, unruffled by the assertive and divisive radicalism of the New Bolsheviks of the 1980s. The present chancellor and putative next prime minister, Mr Kenneth Clarke, implied as much last week when he described himself as standing at the "hard centre" of the Tory world; the actual prime minister, Mr John Major, would not be harmed by a similar appellation.

Ever eager to help, I draw the attention of this centrist duo to a forthcoming book* by John Gray, a conservative political philosopher and fellow of Jesus College, Oxford. Mr Major may well find time in which to read bits of it; Mr Clarke has first to digest the Maastricht treaty and one or two other documents pertaining to his new job. Mr Gray is described by his publisher as "formerly a principal theorist of the New Right," which gives added piquancy to his extended critique of the work of the "libertarian and classical liberal ideologues" whose nostrums continue to haunt the Tory politicians of the 1990s.

He defines the New Right as properly anti-Marxist, understandably critical of the failures of big government, questionably monetarist – and blind to the imperfectibility of market institutions, which were "understood as a sort of perpetual motion machine for economic growth". (Mr Gray, I am delighted to report, is extremely unsound on growth.) "It was this Whiggish fantasy," he writes, "that animated the enthusiasts of the New Right; the failure of its political projects, or the unanticipated consequences of their success, has rudely dispelled it." Among the failures, I would list 1980s macro-economic policy on both sides of the Atlantic and, in Britain, the Tory health and education reforms.

Our author has an explanation for this headlong rush into doctrinal disappointment. The ideologues behind Thatcherism and Reaganism, like the Marxists they vanquished, mistakenly believed in the perfectibility of human endeavour through the application of universal principles. One side-effect was to introduce a sectarian spirit into conservative discourse. That, as we know, is still present. So is the worship of the market as an institution without flaw, not to mention the conception of all human conduct "in terms of a calculus of exchange". This attitude denies the dependency of civil society on the resources of its culture; it runs contrary to the common-sense observation that human beings exist as part of families, or communities. You could say, after reading Mr Gray, that the New Right was mistaken in its assumption that there is no such thing as society.

The ideologues behind Thatcherism and Reaganism mistakenly believed in the perfectibility of human endeavour

"The lesson of the bankruptcy of the New Right," he writes, "... is that political life is not a project of world improvement in which are invested the transcendental hopes of an age without faith. It is instead an almost desperately humble task of endless improvisation, in which ... the ever present prospect of disaster is staved off..."

I have quoted extensively from this thought-provoking introduction because the first three chapters of the book have appeared before, as self-critical pamphlets published by New Right think-tanks. As noted at the time, Mr Gray's view, as asserted in one of those pamphlets, is that "a humane social market economy is the only sort of free economy likely to survive ... and the only sort that deserves to survive". If there is such a thing as Majorism, these recycled chapters contain it. Traditional one-nation Tories, and continental Christian Democrats, will grasp the point, even as they trim spending on the welfare state.

The prime minister should, however, run a mile from the brand-new fourth and final chapter. It takes the argument too close to the truth of the present human condition. Entitled "an agenda for Green conservatism", it soars beyond the immediate needs of Mr Major and Mr Clarke. The problem is not Mr Gray's adoption of a green mantle; Lady Thatcher herself did that. Anyhow, he neatly disposes of the excesses of green theories. His arguments, that private property and market mechanisms are essential tools for protecting most of the environment, should appeal to Tories, even while greenery is relatively unfashionable. He does see regulation as necessary to deal with threats to the global commons, like the upper atmosphere, and he is Malthusian about the population explosion. But some Conservatives might swallow this medicine too, even if they have to swallow hard.

They will, however, gag on this: "Though the eradication of involuntary poverty remains a noble cause, the project of promoting maximal economic growth is, perhaps, the most vulgar ideal ever put before suffering humankind. The myth of open-ended progress is not an ennobling myth, and it should form no part of conservative philosophy." He goes on to deride the "malady of infinite aspiration", and asks rather that we "keep in good repair those institutions and practices whereby human beings come to be reconciled with their circumstances ..." He offers as an alternative J S Mill's conception of a "stationary-state economy".

I love it. Here is a Tory philosopher telling us what we know to be true – that economic expansion allied to exponential population growth cannot continue forever, and that we had better start thinking about the ethical consequences of that stark arithmetic. I picked up Mr Gray's book after returning from a seminar on the moral foundations of a democratic society, organised by the Social Market Foundation, a newish think-tank. The seminar affirmed the current absence of moral underpinnings for western thought. Something has to replace Marx-based philosophies, and perhaps reinvent Christianity. Mr Gray's fourth chapter suggests where to start.

* *Beyond the New Right; Routledge, £19.99*

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Solution to left-right dichotomy

From Dr Jan Clifford Lester.

Sir, Samuel Brittan writes ("Clan hatreds divide Left from Right", June 7) that "the left-right dichotomy is a hopeless method of finding one's way around" monetary and fiscal policy. But in his *Left and Right: the Bogus Dilemma* and *Capitalism and the Permissive Society* he more or less solves the problem without realising it.

As he shows, there is a fairly clear tendency for the left to be for state regulation of "the economy" (and against state regulation of personal liberty) while the right are more more likely to be the opposite. Where the economic aspects are currently state-ridden the right are thus consistent in seeking at least to second guess the market.

Of course, this is not a perfect description of left-right usage, and it does conflict with some self-descriptions. But it clarifies debate enormously to make this fairly realistic distinction stipulative. We are then also able to introduce a libertarian-authoritarian north-south axis. This accommodates both Samuel Brittan (as a north-winger) and me (extreme north-winger). I leave the reader to say which politicians are really south-wingers.

Jan Clifford Lester,
The Libertarian Alliance,
5 Beaconsfield,
64 Red Lion Street,
London WC1R 4PA

Family man

From Mr Peter McGregor.

Sir, Do you think that Sir Norman Fowler is spending enough time with his family?

Peter McGregor,
Dacre Cottage,
Longworth,.
Oxfordshire OX13 5HH

Social provisions must be preserved

From Ms Carole Tongue MEP.

Sir, Your article "Japan car workers top of earnings league in world motor industry" (June 10), paints a rosy picture of the Japanese car worker's condition. It ignores, though, the now oft-documented stress and ill health their long working hours produce.

Without actually saying so, the article hints that Europe's social provisions (particularly good wages and moderate working hours), should be sacrificed in the name of increased competitiveness. This attitude is increasingly souring relations with Britain's European neighbours, who rightly feel social justice and economic prosperity go hand in hand and resent the attempt of the UK government to create a competitive labour market on the basis of low wages and poor working conditions.

There should be no suggestion that Europeans should go back on their social achievements. We should be calling for our main competitors to adopt similar policies to improve the living and working conditions of their working people, particularly shorter worker hours to achieve an enhanced quality of life and increased employment opportunities.

Carole Tongue,
Rapporteur for European Parliament on the European Car Industry,
97a Ilford Lane,
Ilford, Essex IJ1 2RJ

UK is obviously correct in its chosen economic course

From Dr Rosalind M Altmann.

Sir, What a shame! Why has the UK government wasted a golden opportunity to lead Europe forward to a better future? Why do we continue to portray our exit from the exchange rate mechanism as a "humiliation"?

Even the ex-chancellor can only whinge and criticise instead of standing up, as he should have done last September, and proclaiming that the British move was the only rational economic policy to follow when Europe was marching from the hoped-for policies of disinflation over the cliff edge into depression. Britain's exit should have been portrayed as a move demonstrating strength and vision which the rest of Europe (Germany excepted) needed to follow.

There is nothing wrong with allowing currency devaluation if it is the only means by which interest rates can fall to a level more compatible with economic stability. The UK has not abandoned stability policy by easing on the monetary side when a tightening of fiscal policy and a global disinflationary environment have so diluted the inflationary risks. On the contrary, the UK is pursuing the only obvious course for most European economies to follow at this juncture.

The only problem has been the *manner* in which policies were implemented; the moves themselves are so sensible. What a shame we are not able to be proud of them. At least we can take comfort that the UK will fare better by having pursued the right policies in the wrong way rather than the wrong policies altogether. Poor Europe!

Rosalind M Altmann,
director,
Global Equity Strategist,
43-44 Crutched Friars,
London EC3N 2NX

Common IT standards are needed in the UK

From Mr Gordon Ewan.

Sir, Your article about the National Audit Office report into computer systems for the Training and Enterprise Councils ("Scrapping Tecs computer system may cost £50m", June 11) once more points to the importance of nationally recognised – and implemented – standards for the information technology community.

Only when we in the UK are all working to the same set of standards will we be able to avoid the problems of "them and us" when matching client needs with the systems which are actually installed.

As the lead body for information technology standards in the UK, we have been working for the past two years with all members of the IT community to ensure that there is a clear set of practical guidelines for everyone involved in information technology.

One of the ways of ensuring this happens is through the programme of National Vocational Qualifications in information technology. This is a set of standards which all companies and organisations and their staff and employees can use to build better skills and greater mutual understanding.

With Britain needing to become more skilled, productive and cost-effective in its working methods, adopting the best practices woven into our set of IT standards surely makes a lot of sense and helps avoid expensive and time-consuming problems.

Gordon Ewan,
Chief Executive,
Information Technology Industry,
Training Organisation,
16 South Molton Street,
London W1Y 1DE

Proper recognition still to be given to unemployment problem

From Prof Ronald Dore.

Sir, That unemployment will not yield all that much to "active macroeconomic policies" we've known for some time. Now, Edward Balls tells us ("A tide that's not for turning", June 9) that the active labour market policies Richard Layard was advocating in his Personal View (June 8), don't work either, except as political tokenism designed to show the problem is being taken seriously.

So what's left? "Less generous unemployment benefits"? Yes, indeed, push the welfare minimum down to America levels and you will force more people into jobs – at the poverty-level wages which now characterise so much work in America. Is that really what we want?

Surely we need to recognise that the unemployment problem is a result of the new "labour market scissors". On one hand are the decent instincts which have made a welfare floor of 40 per cent of average income pretty well universal in European societies. On the other are those changes in society and technology which have changed the job structure; more and more jobs are beyond the learning capacity of people who did not do very well in school, and fewer and fewer jobs are of the sort almost anybody can learn to do. The exception are serving and caring jobs that are only slowly becoming acceptable for able-bodied males.

And both of those factors are progressive factors. Don't we need to think again about the nature of "work" and how far doing it ought to be a precondition for citizen dignity? The notion of a basic citizen income which effectively cuts that link and makes extra-money-earning work as much a voluntary activity for the lucky as amateur athletics, has been around for a long time. Shouldn't the prospect that the unemployment problem will force us into some such solution by 2020 start concentrating our minds on how to get from here to there?

At present the only people thinking about this are the members of the Citizens Income Study Centre and we are considered slightly dotty by our academic colleagues. Isn't it time to take, if not us, at least the problem more seriously, and for those who have a different perspective on the year 2020 to come clean and tell us what it is?

Ronald Dore,
London School of Economics,
Centre for Economic Performance,
Houghton Street,
Lonson WC2A 2AE

هكذا من الأصل

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Tuesday June 15 1993

Disunited nations

BOSNIA, CAMBODIA, Angola, now Somalia. At no time in its 48-year history have the demands on the United Nations to resolve regional conflicts, contain civil wars and save lives been so high. Nor has there ever been greater readiness to blame the UN when peace-keeping or peace-making *operations go wrong.*

It is not, however, the UN that should be blamed for failure to bring peace to the Balkans, or even for the tragedy of errors now unfolding in the Horn of Africa. Its leading member states – and in particular the five permanent members of the Security Council – would do better to examine their own responsibility for what has happened in Bosnia-Hercegovina and in Somalia, and to ask what lessons can be learned to ensure that future international humanitarian and peace-making efforts do not go so badly awry.

The record is far from all bad. In Cambodia, for example, the UN has in recent weeks overseen a remarkably successful multi-party *election. While that, too, appears* to have run into difficulties, with the ruling party rejecting the results, the UN transitional authority has done as well as could have been expected in facilitating the process. The UN should now focus upon helping to secure a constitution and legitimate government, if necessary deploying the powerful sanction of withholding recognition. But it will in the end be for Cambodians to make democracy work.

Uncharted waters

Somalia, like Bosnia, presents a much more uncomfortable case, taking the UN into uncharted waters. For what started as a well-intentioned if belated military intervention with the aim of feeding a starving populace has become a bloody *melée* in which UN forces risk ending up at war with the people they are trying to help. The US, which led the "humanitarian invasion" last December, is now expending its energies in bombing the facilities of a rebel warlord, Pakistani peace-keepers in firing on and killing apparently peaceful demonstrators. The chances of restoring order or effective government are more remote than ever.

In helping to bring Somalia to this pass, the UN powers made a number of fundamental errors. First, Washington failed to think clearly about the purpose or implications of its military role at the outset. George Bush's decision to send a large force to feed Somalia was one of the last acts of a defeated president. His administration did not co-ordinate its actions properly with the UN. Its purpose was always to feed the *maximum number of Somalis in* the shortest possible time, then allow Mr Bush's successor to hand the country over to a broader-based peace-keeping force. American troops were not ordered to disarm Somalia's lawless militias. Washington also paid insufficient attention to the root cause of the country's problems: the collapse of any form of administrative authority. Without a serious effort at political reconciliation, encompassing a broad swathe of Somali society, intervention could never be more than a palliative.

Urgent action

The UN's current difficulties stem directly from these blunders. *Its own efforts to foster* negotiations among Somalia's warring factions were hopelessly ineffectual. They attributed undue importance to the warlords and did not include a wide enough cross-section of what is left of Somali civil society. When they came to nothing, UN forces were left with no clear mission beyond continuing to fill empty stomachs, and with decreasing authority to carry it out. Confrontation with a warlord ambitious to fill the vacuum was only a matter of time.

Urgent action is now required from the UN Security Council to prevent the situation from deteriorating further. As in Bosnia, member states face a stark choice: either re-engage with the country on a new, more carefully considered basis, or pull out. In Somalia the former course means nothing short of taking the country under temporary UN trusteeship, with all the political responsibilities that entails – combining concerted diplomatic action to restart reconciliation among Somalis and a stiffened military presence with the aim of disarming the militias. It is a tall order, but it is more palatable than the international humiliation and Somali suffering which would follow withdrawal. In Bosnia, where negotiated three-way partition seems the least terrible outcome, the stakes are higher. For the UN, however, the underlying lesson is the same.

Clipping the banks' wings

IN THE present economic cycle much of the world economy has suffered from asset price inflation, followed by falling asset prices, stress in the banking system and worries about the capacity of banks to finance economic recovery. The price of such instability, in the shape of lost output and jobs, is all too apparent, especially in the English-speaking economies, in Scandinavia and in Japan. Hence the topicality of the question raised in the annual report of the Bank for International Settlements: can a recurrence be prevented?

The answer clearly hinges on the extent to which this was an exceptional occurrence relating to one-off changes in the financial system. And at first sight it is tempting to attribute the present problems to specific upheavals in the workings of the financial markets.

In most developed countries, banks in the 1980s were subjected to a host of deregulatory shocks, ranging from the abolition of exchange controls to the lifting of quantitative controls on bank lending. This agenda, which embodied the growing conviction on the part of policymakers that banks should behave more like profit-maximising firms than socially conscious utilities, was an exceptionally potent formula for racking up bad debts, especially against a background of sharply rising share and property values. The problems were compounded by moral hazard. Deposit insurance gave little incentive for depositors to assess the creditworthiness of banks.

Re-regulation

It seems unlikely that such a tidal wave of regulatory change will be repeated in short order. The current trend is anyway towards re-regulation, not least in the form of the BIS's own capital adequacy rules. But there are nonetheless grounds for thinking that a repeat performance cannot ultimately be ruled out, the most important of which relates to the the central banks' activities as lenders of last resort.

The readiness of central banks to provide liquidity to markets and institutions helps ensure that there is no repeat of the depression of the 1930s. But it also introduces a generalised form of moral hazard by socialising risk and facilitating speculative financing. At a more basic level, the concessionary financing that accompanies bank support operations is not without wider cost. While it insulates the bank creditors from loss, it further weakens discipline.

Low inflation

At the macro-economic level, the remedy is a firm anti-inflation commitment. But as the BIS itself points out, this can pose difficulties for the authorities. In Japan in the late 1980s speculative excess co-existed with low inflation. It could not have been curbed without an unwelcome contraction in the real economy.

That leaves prudential supervision as a counterweight to a more competitive financial environment. But while theoretically appealing, the practice is more difficult. There is, for example, a tendency for supervisors to act pro-cyclically, instead of counter-cyclically – witness how the BIS's capital requirements were introduced just in time to encourage a credit crunch. And innovation tends to wrong-foot the watchdogs.

But if instability in banking is endemic, there remain obvious priorities when it comes to cleaning up the mess. The most pressing one now is a rapid recapitalisation of the banking systems where the capacity to extend credit has been impaired. In the UK and the US this is being achieved with the help of a steep yield curve, whereby banks can borrow at low short-term interest rates to invest in longer-term higher-yielding paper, including government IOUs. In Scandinavia it has been achieved with the help of more direct government support.

But in Japan, where the gap between short and long interest rates is narrow, the authorities have been slow to impose the requisite balance sheet restructuring. Given the size of the Japanese economy, that is a growing worry for the rest of the world as well as the Japanese themselves.

Haig Simonian and Robert Graham examine the privatisation of Italy's largest state holding company

A behemoth goes to the block

IRI, Italy's biggest state holding company, looks increasingly like a beached whale – an ungainly creature that cannot be refloated. The political waters in which it has moved for four decades are evaporating. The country's politicians are distracted by scandal and, even if there was a will to keep IRI alive, its finances are so parlous it is unlikely to survive in its present form.

Group losses for last year were L4,809bn (£2.13bn), while accumulated debts are L73,000bn, equal to almost 5 per cent of Italy's gross domestic product. Privatisation of the empire, which employs 400,000 and has interests ranging from baking to banking, telephones to television, is seen by company strategists as the only way forward.

The impetus for change has been accelerated by the arrest last month of Mr Franco Nobili, IRI's chairman since 1990 and the manager under whom debts and losses mushroomed. His arrest, on corruption charges, provided the government with an opportunity to bring in someone who would not shy away from the basic question: does IRI need to exist in the 1990s?

The man chosen for the job is Mr Romano Prodi, the distinguished economist who chaired IRI from 1982-89 until replaced by Mr Nobili. His previous involvement in IRI may not seem the best qualification, since several problems date from that period. But Mr Prodi's supporters, including Prime Minister Carlo Azeglio Ciampi, claim he is returning to push through the rationalisation he was prevented from implementing by the politicians.

IRI group: no time on it's side

Lire billion	Sales 1991	Sales 1992	Net profits (losses) 1991	Net profits (losses) 1992	Employees 1991
Alitalia	5,867.9	6,791.8	(34.5)	(14.7)	28,963
Finmare	1,711	1,847	(50.4)	(131.8)	7,878
Finmeccanica	10,966.0	11,078	(524.9)	186.4	56,015
Finsiel	1,255.0	1,473	29.4	36.4	7,305
Ilva	10,923	10,087	(498.8)	(2,309)	50,244
Iritecna	8,947.7	9,362.1	(98.5)	(1,950)	28,151

Some 1992 figures are Treasury estimates

IRI industrial section, Lire billion at current prices	Net profits (losses)	Total debt	Interest payments on debt
1982	(2,825)	34,018	5,993
1983	(3,198)	36,112	6,239
1984	(2,724)	38,837	6,107
1985	(1,594)	36,559	5,029
1986	(558)	34,400	3,800
1987	(304)	37,404	3,267
1988	660	38,519	3,609
1989	1,291	45,672	3,826
1990	280	55,332	4,688
1991	(938)	63,330	6,001

Source: IRI.

Romano Prodi

Power has been concentrated in the hands of Mr Prodi following the transfer of Mr Michele Tedeschi, former chief executive, to IRI's telecommunications subsidiary. He had been virtually running the group since last August, when it was converted into a joint stock company.

A senior IRI official said: "There is an urgent need to raise funds, and privatisation will probably be along the lines Tedeschi has already worked on."

The main fear inside IRI's impressive 1930s head office in Rome is that the financial urgency behind IRI's sell-off will mean that broader questions of industrial development could be ignored in the reorganisation. IRI managers insist the state still has a role, especially in sectors such as advanced technology. They say IRI could be made slim and dynamic by selling scores of companies and remaining as an investment vehicle with minority participation in its engineering group Finmeccanica, and Stet, the telecommunications holding company.

Yet this strategy could consign IRI to the same fate as that of Efim, Italy's third-largest state industrial holding company, which became a dustbin of unwanted businesses. Efim was wound up last July with debts of more than L15,000bn, and the creditors' problems have yet to be resolved. IRI could be left to nurse the loss-making companies which it could not offload and which would be impossible to close for social or political reasons.

The group's biggest loss-makers are Ilva, Europe's fourth-biggest steel producer, and Iritecna, its construction arm. Between them, they account for the bulk of IRI's 1992 losses. At Fincantieri (shipbuilding), Finmare (shipping) and Alitalia (the airline), losses have been staunched, but all remain in the red; while the finances of RAI, the television and radio umbrella organisation, are severely stretched. IRI also owns two of Italy's biggest banks. Although their profits are falling, they remain among the group's biggest earners.

With domestic interest rates still high and the economy in recession, the company is struggling to generate enough cash to meet daily needs, let alone investments. IRI's financial difficulties were exacerbated by the progressive withdrawal of funding since 1987 from the government, which was striving to contain the large budget deficit.

More recently, support from the banks has declined because of concern about IRI's financial health. Some foreign bankers, chastened by the debacle over Efim, have cut lending, fearing a repetition. To make matters worse, an Italian law prohibiting companies from issuing bonds when their debts exceed their total capital, as in IRI's case, has removed recourse to the bond market.

In the light of these constraints, piecemeal privatisation has become an imperative, and has won the backing of the new government. The former Amato government set the sell-off ball rolling last year, but there were internal disagreements over an "industrial strategy" for the state sector, with some politicians fearing the loss of patronage implied by privatisation.

The Amato government had begun whittling away such patronage. IRI's board was slimmed down to three members, while big subsidiaries, such as Finmeccanica, gained in importance by obtaining an individual stock market listing. The Ciampi government, with a more homgoneous economic team, is less susceptible to pressure to keep IRI alive, particularly since the country's political landscape has been transformed by the corruption scandals, and the politicians who tried to stall the privatisation process are discredited.

Despite the recession, which has limited the market for big sales, and the wariness of some foreign multinationals to make Italian purchases, IRI is slowly going on the block. The first sale will be SME, IRI's food production, retailing and catering operation. Preliminary offers for two of SME's food production divisions have been received and a deal is likely within the next month. Together, the two operations should raise about L1,200bn. The sale will be followed by that of SME's remaining food retailing and catering activities, valued at about L2,000bn.

The other attractive assets up for sale are the two banks. IRI aims to sell all or part of its 67 per cent holding in Credito Italiano, the sixth-largest Italian bank, which is quoted on the stock market. Plans to sell Banca Commerciale Italiano are less advanced.

Rather than floating its Credito shares on the market, IRI has opted for a sale to another bank or a pool of institutions, in the hope of a higher price. The most recent indications are, however, that no bank will pay the L6,000bn estimated value. IRI has been forced to explore the possibility of splitting its stake between several financial institutions and, as a result, the deal is taking longer than expected.

While the banks deals are proceeding slowly, the financial pressures on IRI are growing more urgent. Its Ilva steel arm has reported a L2,309bn loss for last year and expects to lose about L1,700bn this year. Plans to restructure it via asset sales and debt transfers to IRI have been critically received by the European Commission, which supervises Europe's steel industry, and the chances of a quick privatisation look slim.

Iritecna's financial difficulties are almost as pressing. A company will be created, as with Ilva, to run the most profitable activities, while loss-making subsidiaries and a large slice of debt will be transferred to IRI pending restructuring or disposal.

With the timetable for sales lengthening, IRI has turned to sophisticated money-raising techniques to pay its bills. So far, it has raised about L1,000bn by selling future dividends on some of its profitable operations. It has also sold tax credits on the shares of some subsidiaries. Although such practices are commonplace in Italy, they have triggered a public row. Critics charge IRI with using financial gimmicks to delay privatisation. "They're pulling out all the stops to raise short-term cash wherever they can, rather than just selling assets," said one observer.

Mr Pietro Ciucci, IRI's finance director, points to last year's disposals of controlling interests in the Cementir cement group and Banco di Roma as proof that the company is not reluctant to sell. Like several other IRI executives, he claims some of Italy's leading businessmen are waging a war of words against the group because they are waiting to pick up bargains. "Each time we devise an operation to help IRI survive, they get angry," he says.

Mr Ciucci and his colleagues stress the company is committed to disposals, but not at the price of undervaluing its assets. The argument assumes IRI has the luxury to choose the best moment for its sales. With the clock ticking fast and losses mounting, time is not on its side.

Where Mexico should draw the line

PERSONAL VIEW

At US insistence, negotiations are now under way between Canada, Mexico, and the US for side arrangements to the North American Free Trade Agreement on environmental and labour issues, and to give extra protection to some industries in the name of dealing with what are being called import surges. President Clinton needs those parallel agreements to convince the Democratic majority in Congress to support Nafta and to cater to some special interests, such as the sugar lobby. The issue is no longer whether there will be side agreements, but just how far the US will pressure its Nafta partners – Mexico in particular – to give way to satisfy domestic US pressure.

Until now, Mexico has catered to almost every US demand. Mexico is even going the extra mile. It has so far put more new money into clearing up the environment at the US border than has the US. If there are import surges that must be dealt with these days they are from the US into Mexico, but the Mexican authorities have accepted these without raising new barriers. Despite his misgivings about the wisdom of a special border tax on trade among the Nafta countries to raise money to finance environmental projects, Mexico's President Salinas may give way on this as well.

President Salinas is giving the impression that he is prepared to do almost anything to get Nafta through. We believe he should do what is right in Mexico's interest and he should show more spine when asked to agree to unwise US demands or to cater to groups in the US, or people such as Ross Perot, who will not support Nafta regardless of what Salinas does.

The Mexicans fear that if Nafta fails, investment into the country will dry up. However, Mexico's best option is to proceed as if there were a Nafta. It should continue to open its economy by reducing import barriers. The welcome mat to foreign investment should not be withdrawn; if anything, it should be extended beyond what was agreed in Nafta. The law protecting intellectual property should not be erased. Many of the 50-plus pieces of new legislation required to conform to Nafta provisions should proceed.

If Mexico further opens its economy, US businesses would still invest, based on their having an assurance of policy continuation. The opponents of Nafta could do nothing to stop this. By reducing its import duties further, Mexico would

President Salinas is giving the impression that he is prepared to do almost anything to get Nafta through

permit producers there to continue their competitive drive. The average US duty on imports from Mexico is now about 3 per cent. The competitive position in the US market would not be much worse for most products even if US tariffs did not decline to zero over 10 years, and could even be stronger if the exchange rate of the peso were adjusted for this. This would be a likely consequence of the market's reaction to the absence of an agreement in any event. An adjustment of this kind would not necessarily be a deterrent to foreign investment in Mexico, particularly for equity investment, if properly enhanced by a consistent macroeconomic package designed to control inflation.

The US would be just as exposed to competition from Mexico as it would be under Nafta. The only way to prevent this would be to *raise* US import barriers against Mexico. US protectionists would almost certainly try, and the Clinton administration would then face a real test as to its trade *bone fides*.

Those who insist that Mexican labour conditions are substandard in comparison with the US would have no side agreement under which they could leverage their demands. They would have to rely on Mexico's own perception of its national interest in this area.

This is not an optimal outcome. Formalising the economic integration that is occurring in any event has many advantages. It helps establish dozens of consultative arrangements on specific issues such as customs administration, sanitary standards, and technical requirements for products, and on broader issues, including macroeconomic policies. Nafta gives some assurance against backtracking on market opening by member countries. It provides a structure for settlement of disputes on investment, financial and commercial matters, and the use of countervailing and anti-dumping duties. Without Nafta the remarkable political rapprochement that has been taking place in recent years between Mexico and the US might be reversed. But US failure to approve Nafta need not be an economic disaster for Mexico.

Sidney Weintraub and Rogelio Ramirez de la O

The authors are, respectively, director of the US-Mexico Policy Studies Program at the Lyndon B Johnson School of Public Affairs, the University of Texas at Austin, and president of Ecanal, an economic consulting firm in Mexico City

OBSERVER

Horses for courses

■ If there are any gamblers left among the Buba-watching fraternity, the guessing game as to who comes in number two to Hans Tietmeyer, due to take over as president of the German central bank this autumn, is still wide open.

For the previous favourite, Reimut Jochimsen, appears to have fluffed it through his open antagonism to the Maastricht process, and the punters are studying the form on a series of fresh names.

From the back of the field, but already counted one of the surer bets, comes a new boy to the council, 60-year-old Horst Schulmann who arrived from Washington only last October as president of the central bank of Hesse.

It was Schulmann who, as Helmut Schmidt's "sherpa", worked hard on convincing a sceptical Bundesbank to accept the EMS in the first place. He has experience at the EC Commission on his side, and the politics also fit. Chancellor Helmut Kohl's government, which will make the selection, is likely to go for an SPD candidate if only because it needs the opposition's co-operation if it is to cut into welfare spending.

Meanwhile, Johann Gaddum, chief architect of the bank's recent "dribbling" approach to interest rate reductions, would probably be the most deserving winner. But he is both the wrong political colour, and, with only just over a year to go to retirement, a little old.

The intriguing outsider is Edgar Meister, finance minister of the Rhineland Palatinate, Kohl's political training ground. He has the invaluable merit of being on good terms with the beleaguered Theo Waigel, the Bonn finance minister charged with slashing spending, and a man in need of all the friends he can find, especially in the Bundesbank.

First class net

■ There have long been rumours that the wrong sort of people hold too much sway in Brussels' corridors of power. However, Observer was taken aback to learn that future interns at the Council of Ministers are now being asked to produce not only certificates of perfect health and a fine education, but an extract from their police record. How many juvenile heists on the Common Agricultural Policy does it take to qualify?

One-stop bid

■ Good to see a spot of aviation romance surfacing amid the industrial gloom at the Paris Air Show. The European Airbus consortium has dispatched one

'We're peace lords'

of its latest craft on a record-breaking run.

A four-engine A340 set off from Le Bourget yesterday on a one-stop round the world tour. Flying east, its first and only port of call will be New Zealand, which should be reached in just under a day. If all goes well it should be back at Le Bourget on Friday. Airbus has had to cut the number of passengers from 273 to just 20 but it did not have to sink to towing its showpiece to the end of the runway to save fuel, as Boeing did when they attempted a similar feat with its non-stop 747-400 flight from London to Sydney.

Airbus hopes its marketing ploy will interest high-rolling customers with global ambitions. The Sultan of Brunei, for instance, has already bought a second-hand Lufthansa A340 for his personal use. The French secret services, which have been known to venture that far afield, might also be interested by the A340's first non-stop flight to Auckland, if they ever needed a craft for another quick get away.

Prize draw

■ Who's going to win the next Booker prize? No, not the literary prize for fiction, but the number two slot at the Booker food giant when chief executive Jonathan Taylor, 57, steps into the chairman's suite later this week.

Presumably, Taylor is not going to upset the City by combining the role of chairman and chief executive, especially given Booker's lacklustre performance in recent years and Taylor's keenness to spend more time on good works, such as raising money for Oxford's Bodleian Library. Barry Skipper, chief executive of food distribution, and finance director David Turner, are the obvious internal candidates. But they have been around for years and Booker could do with a bit of fresh blood at the top. Let's hope that Taylor doesn't fluff his first big decision in the chair.

Tied down

■ Health secretary Virginia Bottomley has an easy way of spotting when husband Peter, one of the looser cannons on the Tory back benches, is going to cause trouble. He comes down to breakfast sporting his splendid Transport and General Workers' Union tie.

Yesterday was no exception. Suitably attired, Comrade Bottomley attended the launch of a TUC-led campaign against a particularly blatant union-bashing amendment which has suddenly surfaced in the employment bill, due to be debated in the Commons today.

With much reference to Tolpuddle Martyrs, Bottomley easily outshone John Monks, TUC deputy general secretary, in the depth of emotion he showed in favour of trade union rights and contempt for anyone who dared tamper with them. Stanley Baldwin might have sympathised, but it can hardly have gone down well with the current generation of Tory bosses.

As for the TGWU, Britain's biggest blue-collar union, it is not making a big thing about its new star campaigner. "He's not our most illustrious member," sniffs an official. "That would be the Queen Mother. She wanted to become an honorary bummarree [porter] when she visited Smithfield market, and she was issued with a T&G card there and then."

By the book

■ What do you call a Gurkha training manual?

A Kukri book.

FINANCIAL TIMES
Tuesday June 15 1993

German opposition play safe in choosing leader

By Quentin Peel in Bonn

MR RUDOLF SCHARPING, premier of the west German state of Rhineland-Palatinate, was yesterday unanimously proposed as the next national chairman of the opposition Social Democrats.

His nomination by the party's national executive committee is intended to mark the end of a divisive leadership struggle which has left the SPD drifting in the opinion polls since the surprise resignation last month of Mr Björn Engholm, the former party leader.

It follows Mr Scharping's clear victory in an unprecedented weekend poll of rank-and-file members, which gave him more than 40 per cent support, against 33 per cent for his nearest rival, Mr Gerhard Schröder, the Lower Saxony premier.

His selection means that the leaders of all three main political parties are now in place for the elections next year, although Mr Scharping refused to say whether he would run as SPD candidate for chancellor. It also means that all three, the governing Christian Democratic Union, the minority Free Democratic party in the coalition government, and the SPD, have opted for safe, centrist but essentially uninspiring leaders.

Chancellor Helmut Kohl has no challengers within his CDU, although he is widely accused of failing to give clear leadership, and his popularity is languishing in the polls.

On Friday, the FDP voted overwhelmingly for Mr Klaus Kinkel, foreign minister, as its leader. A civil servant for almost his entire career, and only a party member for the past two years, he is solid, plain-speaking but no ball of fire.

Now the SPD has opted, both at grass-roots level and as party leader, for an equally uncharismatic figure: Mr Scharping is young (aged 45), hard-working, clearly competent, but rather wooden in his presentation. Yet his confirmation as national chairman at a party conference on June 25 now appears a foregone conclusion.

With typical caution, he refused to be drawn on the question of whether he wants to be the party's candidate to oppose Mr Kohl at next year's national elections, although previously he has said that the party chairman should be the candidate for chancellor, too.

He is the obvious choice, but the current deputy leader, Mr Oskar Lafontaine, who failed to defeat Mr Kohl in 1990, has said he wants to run again.

Mr Scharping, a career politician since his student days, would only say that the party had to decide before election day. He hoped it would decide a bit sooner, he admitted.

His lack of political profile is an obvious disadvantage in the coming battle with Mr Kohl, himself a former premier of Rhineland-Palatinate.

In spite of his unpopularity (37 per cent of voters think he is doing a good job, against 50 per cent who have a negative view), the current chancellor towers over all other figures in his own party, and among his rivals.

SEC-style body for Germany 'may not be ready until 1996'

By David Waller in Frankfurt

THE long-awaited federal regulatory body for the German securities industry is unlikely to be fully in operation before 1995 or even 1996, the government minister responsible for policing Germany's largest stock market warned yesterday.

Mr Ernst Welteke, economics minister for the state of Hesse, said in Frankfurt yesterday that he expected the legislation to create the German equivalent of the US Securities and Exchange Commission, and to make insider dealing illegal, would be on the statute book in the first quarter of next year.

But, he cautioned, it could take up to two years after that for the new body to recruit its full complement of up to 100 staff and be in a position to undertake its tasks, including the monitoring of insider dealing.

Mr Welteke's observations highlight the slow pace of change in the regulatory environment in Germany – a slowness which is all the more marked because of German financiers' growing recognition that it is in the interests of Finanzplatz Deutschland, the promotion of Germany as a financial centre, to bring regulations up to international standards as quickly as possible.

This feeling has intensified in recent weeks following the downfall of Mr Franz Steinkühler, the former head of IG Metall, the powerful engineering union. He was forced to resign after it emerged that he had dealt in the shares of a Daimler-Benz holding company ahead of a price-sensitive announcement while serving as a member of the Daimler-Benz supervisory board.

Mr Steinkühler's dealings in the shares of Mercedes Holding are being investigated by the insider dealing unit of the Frankfurt Stock Exchange. He has denied insider dealing but his case has drawn attention to the lack of insider laws in Germany.

"The current sanctions against insider dealing are minimal," Mr Welteke said. "They are not at all enough. At the moment it is just a matter of commonsense that you don't do it – or at least you don't let yourself get caught."

Mr Welteke, whose ministry is responsible for overseeing the Frankfurt exchange, which conducts 70 per cent of securities business in Germany, called yesterday's briefing to explain measures which the state of Hesse has taken to strengthen its regulatory activities ahead of the introduction of the new laws.

The German government had intended to criminalise insider dealing and to create the German SEC by the end of 1992. But disputes between federal and state governments have led to serious delays in the implementation of reforms.

Bosnian 'safe area' appeals for help

By Laura Silber in Belgrade

RADIO MESSAGES from the besieged eastern Bosnian town of Gorazde yesterday appealed for outside intervention to save the United Nations-proclaimed "safe area" as Serb forces pressed ahead with their three-week offensive.

Bosnian Serb commanders said their troops were just 150 metres from Moslem positions in Gorazde, the last government stronghold in the once mostly Moslem east of the country.

In an ominous note which was likely to signal an intensification of Serb attacks, a Bosnian Serb officer accused Moslem fighters of "slaughtering hundreds of Serbs" in villages surrounding Gorazde, according to the Belgrade news agency, Tanjug. Serb commanders previously have used the claim that Serb civilians are "endangered" to justify an attack.

In an another move to consolidate their self-proclaimed state of Republika Srpska, Serb forces set up checkpoints on the UN-controlled road from Sarajevo airport to the besieged capital.

The Serb barricades violate a year-long UN agreement for an international airlift to Sarajevo airport and the unhindered transport of food and medical supplies on the airport road, a vital lifeline for the 380,000 people trapped in Sarajevo.

General Ratko Mladic, the Bosnian Serb commander, agreed at the weekend to the deployment of UN military observers in Gorazde.

His go-ahead suggested that the Serb strategy in Gorazde may be similar to their operations earlier this year around Srebrenica, the first UN-designated safe area.

In Srebrenica the intensity of Serb attacks, combined with a year-long siege, forced the Bosnian authorities to agree to a demilitarisation of the area. The area has been described by relief workers as an unsafe and wretched refugee camp.

"The Serbs may be seeking to create yet another unviable refugee camp out of Gorazde," a western diplomat based in Belgrade said yesterday. Serb forces control traffic leading to the six UN-declared safe areas, reducing the possibility of any long-term future for Moslem-led Bosnian enclaves in Serb-held eastern Bosnia.

Reports from amateur radio operators yesterday called Gorazde a "real hell under constant attacks from Serbian multiple rocket launchers and grenades".

"Everything is burning and the villages are being destroyed," said the reports, which could not be independently confirmed because amateur radio operators are the besieged town's only link with the outside world.

Bosnian radio said more than 50 people were killed on Sunday in a Serb rocket attack on a hospital in the town.

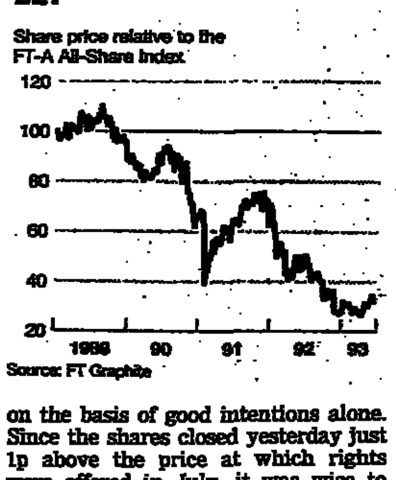
THE LEX COLUMN

Understanding Mr Clarke

FT-SE Index: 2885.5 (+23.7)

BET

Share price relative to the FT-A All-Share Index



Source: FT Graphite

The rise of nearly 30 points in the FT-SE 100 index at one stage yesterday suggests markets may be expecting too much of tonight's Mansion House speech. Though the gain was basically driven by the futures market, it was attributed to expectations that the new chancellor would kick off with a cut in interest rates. That would be hard to justify.

The latest producer price figures show inflation remains subdued but it is not exactly falling either. More significantly, Mr Clarke is hemmed in politically, both by his predecessor's criticism of the way the last rate cut decision was taken and by the opposition of the Bank of England.

Indeed, he may be not be ready to launch any particular policy initiatives after such a short period in office. But the policy debate has assumed a new intensity since Mr Lamont's departure. Two strands are worth noting: first the notion has surfaced that accelerating growth may be enough to sort out the PSBR, and second there is a view in some quarters that a strong exchange rate is a good way of curbing inflation. Such an approach to the PSBR may be the easy political way out, but it would quickly reveal itself as flawed. If a strong exchange rate were also part of the picture, talk might then turn to how far interest rates would have to rise rather than when they would come down.

BET

BET's dividend is shrinking in line with its business. Sales are below the level of five years ago, with talk of more disposals to come. Operating profits last year were less than half those reported for 1991-92. Since it now transpires that asset valuations – and therefore depreciation charges – have in the past been surprisingly inconsistent across the group, previous profits are not entirely comparable. But the balance sheet has equally dictated the dividend cut. Capital and reserves have halved in the last three years.

While the new management deserves credit for averting a debt crisis, the reduced size of BET's balance sheet limits its options for growth. There is little scope for additional borrowing if gearing is to be held down. An acquisition which required goodwill write-offs would take another bite out of shareholders' funds. A rights issue to finance an acquisition would solve both problems, but BET cannot justify another appeal to shareholders on the basis of good intentions alone. Since the shares closed yesterday just 1p above the price at which rights were offered in July, it was wise to resist so much as an enhanced scrip dividend.

That leaves BET to fund organic growth out of cash flow. Having spent two years squeezing working capital – not to mention the dividend and capital expenditure – at least its cash generation is strong. But breaking into higher-margin businesses from scratch will be a slow process.

Meanwhile, the pricing pressures which have squeezed margins in less capital-intensive areas such as contract cleaning show no sign of easing. Without relief from that quarter, BET has little hope of establishing itself as a growth stock.

East Midlands Electricity

Deciding to borrow £150m at an interest rate of 12 per cent near the top of the interest rate cycle looks pretty rum, even without the benefit of hindsight. Doubly so when the Eurobond in question now accounts for more than East Midlands' total net debt and the company is locked into the deal for 25 years. Sadly, the financing decision is typical of East Midlands' accident-prone progress outside its mainstream electricity business – most notably in the poorly performing contracting and retailing operations. It must be some relief to shareholders that prospects in coal mining are now so poor that East Midlands has all but abandonned its ambitions there.

The basic electricity business is a gift which the most inept management would find difficult to destroy. But regulatory reviews will squeeze returns. Supply generates little profit so Offer's current review should not dent share prices. The subsequent distribution review is more important. Attempts to massage profits down by retaining costs are unlikely to fool Offer, so East Midlands' decision to cut now looks sensible. Still, even if the average regional electricity company's price cap is tightened from RPI+1.5 to RPI-6, the RECs generally could still probably manage annual dividend increases of 8 per cent between 1995 and 2000. Much of that, however, would be at the expense of dividend cover. Fund managers may be nervous about shrinking mainstream earnings when quality diversification profits have proved so hard to come by.

Currencies

It was always a safe bet that the yen would appreciate in 1993. The size of Japan's current account surplus and the intensity of US displeasure meant the currency could hardly respond in any other way. The more difficult assessment is to decide when enough is enough. The yen has risen by more than 15 per cent since the start of the year, a move whose deflationary impact more or less wipes out the effect of the last two stimulatory fiscal packages. As the stock market becomes edgy over growth prospects, pressure is bound to mount for another rate cut and more fiscal pump priming, which might be seen as a fitting gesture from the hosts at next month's economic summit.

That, though, may overstate the extent of the authorities' alarm. Japanese exporters know how to cope with a sharply rising exchange rate. The Bank of Japan has been intervening actively, but it has hardly been in a hurry to cut rates. There is no guarantee either that lower rates or another stimulatory package would boost consumption enough to make a big dent in the current account surplus.

More important to the exchange market may be the course of trade negotiations with the US, in which Japan is fighting a rearguard action to escape the imposition of quantitative targets for imports. Were Japan's resolve to falter, the yen could fall back again: a trade agreement with the US would give Washington less reason for talking the currency up. A rate cut, by contrast, could be seen as confirmation of the currency's inherent strength.

Europe told to realign

Continued from Page 1

likely this year to avoid an increase in the ratio of overall government debt to gross domestic product.

Mr Bengt Dennis, chairman of the BIS and president of the Swedish central bank, said ERM turbulence last year had "contributed to the erosion of business and consumer confidence" in Europe. He called "especially worrisome" the deepening of recession in Germany.

Somalis turn against UN

Continued from Page 1

like Bill Clinton." Pieces of shrapnel from last night's air attack were being given to journalists as proof of further senseless destruction of the city.

The rally was shaken by a loud explosion. UN helicopter pilots had fired a shell at a rocket launcher hidden in a garden. They missed their target, instead hitting a ramshackle tea stall where a young mother eked out a meagre existence.

She was still alive when the crowd bundled her into a cart to take her to Benazir hospital, but conditions there are primitive.

The UN came under international criticism for the weekend shooting of unarmed demonstrators which, according to the International Committee of the Red Cross, left 38 dead.

Mr Fabio Fabbri, Italian defence minister, said in Mozambique that such episodes discredited the image of the UN and could, in the long run, jeopardise peace efforts in other trouble spots of the world.

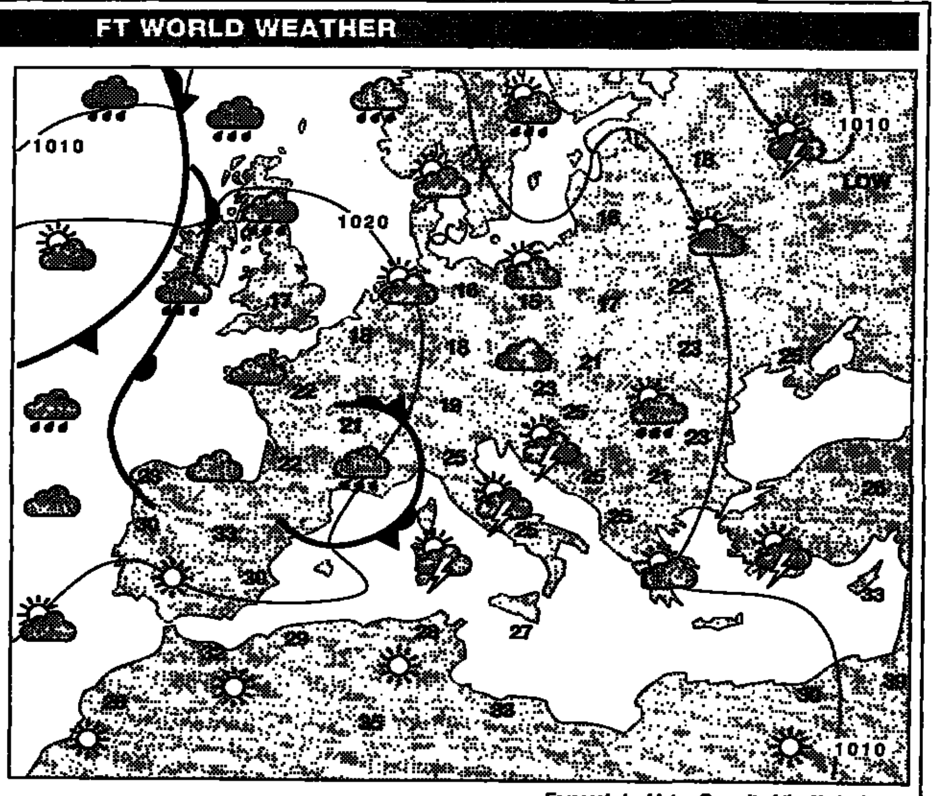
FT WORLD WEATHER

Europe today

In central and southern Spain, it will be sunny and temperatures will rise to 27C-30C, but it will become cloudy in the north. In Italy, the Balkans and Greece, similar temperatures will be reached, but it will be unsettled and showers will develop with the possibility of thunder. In the UK and Ireland, rain will move in from the west. In France, some rain may fall early in the day, but in the afternoon it will be dry. In the Low Countries, Germany, Poland and the Alps, it will be cool and cloudy, but dry. In northern and central Scandinavia, it will be cloudy with patchy rain and afternoon readings of 10C-13C. In the south, in contrast, it will be fair with temperatures rising to 18C.

Five-day forecast

Depressions moving in from the Atlantic will determine conditions in northern and central Europe. In Ireland, the UK and Scandinavia, there will be rain almost every day. Elsewhere, there will be dry days with some sunny spells. It will stay cool. In the Balkans showers will develop but elsewhere in southern Europe it will be mainly sunny and dry. In Spain temperatures will rise above 35C inland.



Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Berlin	cloudy	17	Chicago	fair	24	Faro	sun	30	Majorca	fair	28	Rangoon	thund	30
	Celsius		Bermuda	shower	25	Cologne	fair	19	Frankfurt	cloudy	20	Malta	sun	27	Reykjavik	fair	11
Abu Dhabi	sun	37	Birmingham	rain	17	Copenhagen	fair	18	Geneva	shower	19	Manchester	rain	17	Riyadh	sun	42
Accra	fair	30	Bogota	cloudy	17	D' Salaam	fair	29	Glasgow	rain	17	Manila	fair	33	Rome	cloudy	25
Algiers	sun	29	Bombay	shower	30	Dakar	fair	29	Hamburg	cloudy	15	Melbourne	fair	14	S' Francisco	fair	22
Amsterdam	fair	17	Bordeaux	fair	23	Dallas	fair	32	Helsinki	fair	18	Mexico City	fair	22	Seoul	fair	27
Athens	fair	28	Brussels	fair	18	Darwin	fair	31	Hong Kong	thund	30	Miami	fair	31	Singapore	thund	31
Bangkok	shower	33	Budapest	fair	23	Delhi	fair	43	Honolulu	sun	31	Milan	fair	24	Stockholm	cloudy	13
Barcelona	sun	25	Buenos Aires	shower	11	Dubai	sun	37	Isle of Man	rain	17	Montreal	thund	26	Strasbourg	cloudy	19
Beijing	fair	31	Cairo	sun	39	Dublin	rain	20	Istanbul	rain	23	Moscow	shower	19	Sydney	fair	18
Belfast	rain	17	Cape Town	fair	16	Dubrovnik	fair	26	Jersey	rain	15	Munich	cloudy	18	Tel Aviv	fair	33
Belgrade	shower	25	Caracas	shower	27	Edinburgh	cloudy	19	Karachi	fair	34	Nairobi	thund	22	Tokyo	shower	24
									Kuwait	sun	44	Naples	fair	25	Toronto	shower	20
									La Paz	fair	15	Nassau	shower	31	Tunis	sun	28
									Las Palmas	fair	25	New York	shower	27	Vancouver	fair	19
									Lisbon	sun	34	Nice	fair	24	Venice	shower	24
									London	fair	20	Nicosia	shower	37	Vienna	cloudy	22
									Los Angeles	sun	27	Oslo	fair	18	Warsaw	cloudy	17
									Luxembourg	fair	18	Paris	fair	22	Washington	fair	28
									Lyon	cloudy	20	Perth	fair	18	Wellington	shower	13
									Madeira	cloudy	25	Prague	fair	17	Winnipeg	fair	26
									Madrid	sun	33	R' de Janeiro	fair	26	Zurich	shower	19

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday June 15 1993

INSIDE

SEC lifts restrictions on Zeneca trading

Underwriters of Zeneca's £1.3bn ($2bn) rights issue can trade normally in the shares over the next few days after the US Securities and Exchange Commission changed its decision on restrictions. It lifted a limitation which had raised fears that the underwriters would not be able to support the share price. However, the SEC has said that the US marketing syndicate had to stop operations as of last night. Page 26

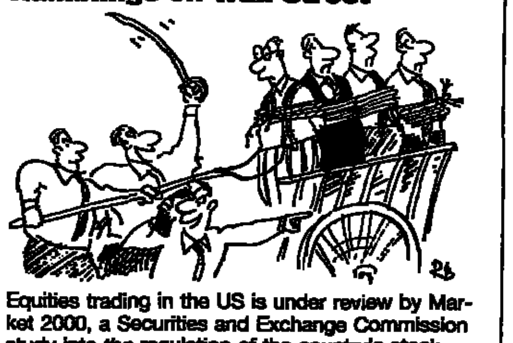
BT issue subscribers reach 4m

More than 1.8m people have registered for the sale of the UK government's remaining 21.9 per cent stake in BT, taking the total of subscribers to more than 4m. SG Warburg, the government's global co-ordinator, said the incentives, at 10p, were less generous to reflect the fall in interest rates since the last sale in 1991. Page 22

Heywood Williams buys in US

Heywood Williams, the UK building materials group, plans to acquire a specialist building products group in the US. The acquisition for $53.25m in cash of LaSalle is "an exciting development for the group", according to Mr Ralph Hinchliffe, chairman. Page 27

Rumblings on Wall Street



Equities trading in the US is under review by Market 2000, a Securities and Exchange Commission study into the regulation of the country's stock markets. The last time the SEC undertook a comparable study was 20 years ago and led to the revolution of 1975, which forever changed the way business was conducted on Wall Street. Page 22

Daiei widens its lead

Daiei, Japan's largest supermarket chain, is to absorb three retail affiliates next March, just as Japan's retailers are being hit by a plunge in consumer demand and increased competition from discount chains and convenience shops. The chain will push annual sales up to Y2,590bn ($24.6bn) and widen its lead over Ito-Yokado, Japan's second largest retailer. Page 23

Apple announces price cuts

Apple Computer yesterday announced US price cuts and customer rebates in a move that could spark a price war in the personal computer industry. Over the past 18 months, prices of PCs in the US have declined by nearly 50 per cent. Page 21

Recipe for growth

Baxters of Speyside, family-owned maker of high quality soups and preserves, has doubled sales in the last five years, under the direction of Ms Audrey Baxter, now managing director. Its premium foods command shelf space in the ruthlessly competitive UK store and supermarket sector because they bring profits to the retailer. Page 28

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
BMW (Br)	463.5	+	10.5	Bancaire Cie	499.8	+	12.8
Daimler-Benz	597.5	+	10	**Falls**			
Mercedes Hld	601.8	+	10.8	EBF	611	–	19
Porsche	516	+	9	Gaumont (Soc N)	550	–	15
Falls				Geophysique	583	–	27
Altana Ind	527.5	–	10.5	Saint Louis	1200	–	28
GARHE	340	–	9	Total B	265.2	–	13.3
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Compaq	55¼	+	1¼	Hiroshima Bank	785	+	22
Eastman Kodak	53½	+	2⅜	Kitten Valve	880	+	70
Hewlett-Packard	68⅜	+	1⅞	**Falls**			
Johnson Prods	24⅞	+	5⅜	Brother Ind	595	–	19
Falls				Hazama Corp	583	–	20
US Surgical	26¾	–	3	Nissan Diesel	580	–	24
Unisys	11⅜	–	⅛	TDK Corp	3760	–	240

New York prices at 12:30.

LONDON (Pence)							
Rises				Instem	168	+	7
Ayrshire Metal	53	+	8	[illegible]	18½	+	2½
BT	423½	+	10½	North West Wtr	453	+	18
Beverley	15	+	4	Osborne Little	119	+	5
Caldwell Invs	44	+	5	Ramco Oil	184	+	15
Clayform Props	26	+	10	Sanderson Elec	303	+	11
Cosmac	88	+	25	Stirling	67	+	6
Corporate Serv	28	+	2½	Total Systems	79	+	4
Euro Disney	840	+	25	**Falls**			
Fisons	181½	+	6½	Amber Day	88	–	5
Frost	214	+	11	Ladbroke	178	–	7
Gestetner	115	+	11	Persimmon	261	–	13
Greencore	306	+	12				

GE Capital secures lower price on GPA

By Roland Rudd

GE CAPITAL will be able to exercise its option to take control of GPA Group for less than $200m (£130m), according to a draft prospectus circulated to shareholders.

The option price is $100m less than lenders to the Irish aircraft leasing group were expecting when the prospective deal between the two companies was signed last month.

It reflects the tough negotiating stance of GE Capital, the financial services arm of General Electric of the US, which under the terms of the deal can choose to exercise its option as late as March 31, 1997.

The US group has also agreed in principle to buy $1.35bn of GPA's aircraft.

GPA advisers believe there has been no real deterioration in its trading position over the last month.

GE Capital's option price is for 65 per cent of the group. It could rise to 80 per cent if key GPA shareholders fail to underwrite an additional loan of up to $150m, which is partially convertible into equity.

However, GPA remains confident some shareholders will join in the deal.

GPA has already started to seek irrevocable commitments from its core shareholders to vote in favour of the agreement with GE Capital before its extraordinary general meeting in August. The group needs the support of holders of 75 per cent of its shares.

Directors of GPA, meeting at their Shannon headquarters in the Republic of Ireland, yesterday approved the repayment of $122m of medium-term notes due on Wednesday after deciding that the group's working capital requirements were satisfactory.

GPA's 138 lenders have been asked to extend their waivers of breaches on its banking covenants to the end of July. The request comes in a document from the group which also contains the final draft bank implementation agreements on the restructuring of GPA's $5.2bn borrowings.

The key lenders hope to finalise the bank agreement by early August. GPA hopes to have its results for the year to March 31 in a final form by the end of June.

The accounts are expected to contain hundreds of millions of dollars of provisions to cover the cost of restructuring, lost deposits from aircraft manufacturers and falling aircraft values.

Ferruzzi investors move to sell shares

By Haig Simonian in Milan

ITALY'S troubled Ferruzzi group yesterday took another mauling on the stock market as investors rushed to sell their holdings in the debt-laden company.

The Milan stock market failed to make a price in Montedison, Ferruzzi's main industrial subsidiary, after a torrent of sales. Stock in the Ferruzzi Finanziaria (Ferfin) holding company fell almost 13 per cent to L662.3 from L760.1 on Friday, while opening prices for Montedison showed a 10 per cent drop to L880 from L975.

The drop in values has wiped about L2,000bn ($1.3m) off the capitalisation of Ferfin and its subsidiaries in the past week as investors reacted to revelations of the group's L31,000bn borrowings and decision to hand its fate to a group of banks.

The collapse in the shares has triggered calls for action, or at least a statement, from either the bourse regulators or the creditor banks. Last week, Mr Enzo Berlanda, chairman of Consob, the stock exchange and companies watchdog, defended the decision not to suspend Ferruzzi group shares.

Mr Berlanda argued that suspending Ferruzzi group shares in Milan would have been pointless without similar action by supervisors on other stock markets where parts of the group are quoted. Montedison shares trade on five European bourses, apart from Milan, as well as New York.

The banks involved, which include Istituto Bancario San Paolo di Torino, Banca di Roma, Credito Italiano and Banca Commerciale Italiana, have all declined to comment on the Ferruzzi rescue talks, in spite of the growing pressure for a statement as a result of the share price collapse.

The scale of the fall in the shares, with Ferruzzi stock dropping by almost 26 per cent last week alone, has started to trigger calls for action as the "Ferruzzi factor" has spilled over on to other parts of the bourse.

Shares in some of five bank forming the group's creditors' committee have suffered, with stock in Mediobanca, leading the rescue talks, falling 5.7 per cent to L15,350 yesterday.

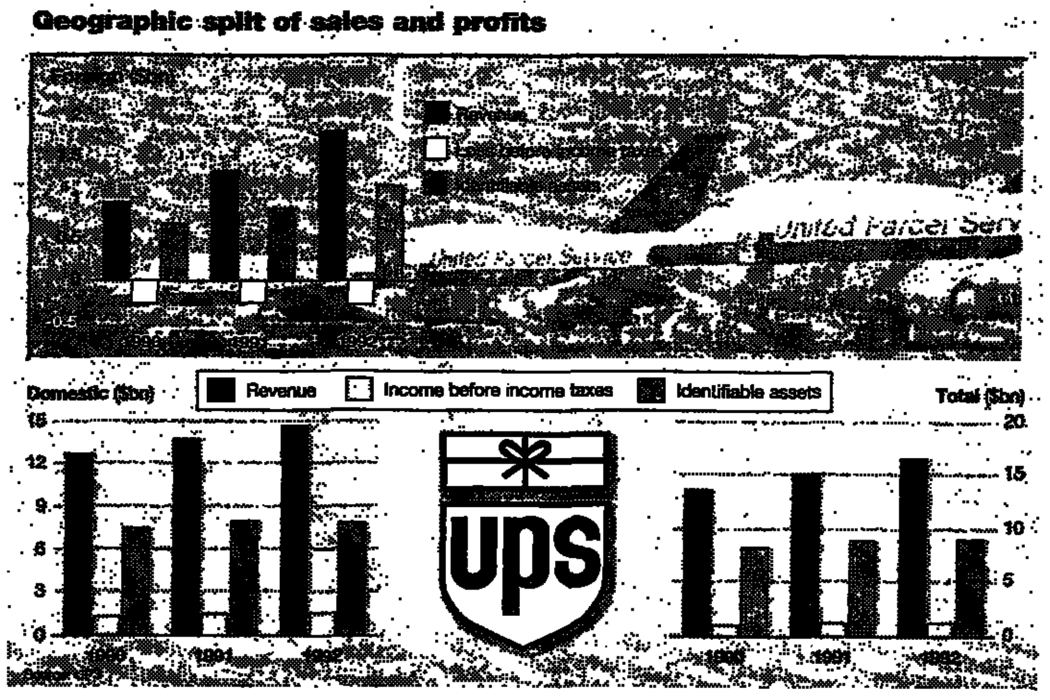
Ferruzzi's problems appear not to have affected its activities in the commodity trading sector, where the group retains active, if reduced, presence on many commodities markets.

Fondiaria's future, Page 20

Nikki Tait analyses a shake-up at the world's biggest package delivery group

UPS rethinks its deliveries of red ink from Europe

Geographic split of sales and profits



UNITED Parcel Service, the world's biggest package delivery company, is rethinking its European strategy.

"We're going through the kind of appraisal we've never had time to do," admits "Oz" Nelson, UPS's chairman.

The motive is simple. UPS, a privately owned company handling almost 3bn packages a year and clocking up annual revenues of $16.5bn (£10.7bn), has spent the past eight years buying up local delivery firms across Europe. The 16th and final transaction, the purchase of Carryfast in the UK, was announced in June last year.

Although most of the deals were modest, UPS's total European investment, including revamping the acquired facilities, is thought have topped $1bn.

Its reward, however, has been a steady flood of red ink. In 1992, "foreign" operations lost $276.2m before tax. This stretches the cumulative deficit for the last three years to $795.8m.

UPS does not split out its international businesses, but it does confirm that the bulk of these losses are in Europe.

Ominously, the company has abandoned its long-held aim of achieving profitability in the region by 1994.

"Maybe we'll get there in 1996," says Mr Nelson.

UPS is not alone in losing money hand-over-fist on a European delivery business. Federal Express, UPS's Memphis-based rival, was obliged to abandon its attempt to establish an intra-European delivery network last year, after operating losses mounted to more than $100m a quarter.

The retrenchment cost 6,600 jobs and produced a one-off charge of $254m.

Most analysts attributed these problems to a serious mismatch between supply and demand. The two US giants were drawn to Europe because they believed that a unified European Community would accelerate the development of pan-European businesses and create a related demand for speedy, reliable cross-border delivery services.

To an extent, this has happened. UPS, for example, signed a contact earlier this year with General Motors' European distribution network for the overnight delivery of repair parts for Opel and Vauxhall cars.

But in general the pick-up in cross-border volume has been slow to emerge. The overnight intra-European market has been put at fewer than 200,000 packages per day, for example, against 2m-3m sent around the US.

Federal's retrenchment removed one competitor from the market but other big firms – notably Brussels-based DHL, Australia's TNT and UPS – continue to battle for these thin pickings. In short, there is overcapacity.

But now, in what appears to be a shift of approach, Mr Nelson suggests that UPS no longer sees its salvation in an increase in cross-border demand. "There's just not a lot of business," he admits. "But if we can make the domestic operations [in Europe] profitable, all the rest will eventually be gravy."

This is where the rethink is concentrated. There is little UPS can do about Europe's recession, but it may be able to work on localised management problems.

These stem partly from UPS's corporate culture in the US. It is one of America's biggest private companies, owned principally by its managers and supervisors. It has, for years, prided itself on running an immensely efficient delivery operation, sending its ubiquitous brown vans to every corner of the US.

But, until recently, UPS concentrated on delivery rather than selling the service, which in turn led to strict work-rules and a rather conformist culture. The company employed efficiency experts, for example, to determine how fast drivers should walk, how they should carry the packages, handle van keys, and so on.

By contrast, UPS's marketing department consisted of half a dozen people. The company also clung to listed delivery rates long after competitors, such as Federal and Airborne Express, wooed corporate customers with discount offers.

Attempts to impose the same corporate approach in Europe have not always gone smoothly.

In Spain, for example, where UPS purchased a package delivery company called Cuallado in 1990, there was a costly one-month strike by drivers last year. The drivers' grievances centred on US-style working conditions: they were unhappy about UPS's no-smoking rules and its uniform requirements.

In France, meanwhile, UPS lost some top management when executives retired shortly after the Prost Transport acquisition. In Italy, it simply misjudged the competition: delivery by the Italian post office is very cheap.

"Anyone who can wait two or three days is not going to pay our rates," admits Mr Nelson.

UPS says that it learnt two decades ago, when it first tried to build a German network from scratch, that foreign operations have to be run locally.

Although top management has now changed at the Spanish, Italian, and to an extent at the French operations, Mr Nelson says the company still employs relatively few US nationals in Europe.

But he is equally emphatic that these local managers, with the Atlanta head office, need to make a thorough assessment of prospects.

How radical the conclusions may be is a moot point, but it seems some serious reshaping may be on the cards. For example, in Italy, Mr Nelson is mulling over the possibility of turning the business into a courier service "when we grow up there".

He is also insistent that much of the solution in Europe needs to be marketing-driven, giving the operations more support through the regional headquarters in London. This mirrors the changes which he has just pushed through in the US.

At the end of the day, UPS's weaknesses may be its strengths. The company has long pockets, a solid balance sheet, a large profitable US business, and – because of its private status – no pressure from Wall Street investors. It also invites European managers into the ownership structure, giving them a vested interest in success.

Asked to confirm that UPS will not repeat Federal Express's retrenchment, Mr Nelson says: "We don't walk away. We may tackle it differently."

UBS faces legal challenge from shareholders on raising capital

By Ian Rodger in Zurich

BK VISION, the Swiss financial securities investment company, has launched a legal challenge against new bylaws of Union Bank of Switzerland that would enable the bank to raise capital without offering prior rights to shareholders.

BK, which was set up in October, 1991 by Mr Martin Ebner's BZ Bank group, is already the largest single shareholder in UBS with a 15 per cent stake.

BK's policy is to take an active interest in the strategic policies of the financial companies in which it holds stakes and to protect shareholder interests if the need arises.

It jostled recently with UBS over its decision to sack Mr Christoph Blocher, a BZ group ally, from its board, but chose not to make a stand on that matter.

Mr Ebner, who is BK's chairman, said yesterday that the argument over the bylaws was less likely than the Blocher case to become emotional. Moreover, if BK did not take it up, then it would forfeit its credibility as a responsible shareholder.

UBS enacted resolutions at its annual meeting in April, taking advantage of provisions in last year's revised Swiss companies law enabling companies to create authorised capital that could be used for "important purposes" at any time for up to two years. The new law also enabled them to create conditional capital for use indefinitely in convertible or warrant issues.

In both cases, there was the possibility of issuing shares without offering shareholders normal priority subscription rights.

BK is claiming that the law requires such resolutions to cite a purpose for which the authorised shares are to be used, such as a specific acquisition.

UBS made no specification, but its bylaws already say that such shares could only be used for takeovers or financing takeovers.

BK also claims the decision on whether to waive shareholder rights cannot be delegated from the general meeting to the board.

UBS acknowledged that the new companies law "left several points of law open" and welcomed the opportunity for early clarification by the courts. It argued that "a narrow interpretation of the new legislation would do insufficient justice to the practical needs of today's companies and the specific situation of the capital market".

BET cuts dividend after loss

By Richard Gourlay in London

BET, the business services company, yesterday cut its final dividend after reporting another year of losses and continuing downward price pressure in its main markets.

Pre-tax losses in the year to the end of March were £9.8m ($15m) on sales of £2.18bn. The figure was struck after further provisions for the cost of stripping out all management layers between the profit centres and head office and also to cover further asset value write-downs.

Mr John Clark, chief executive, said that in spite of the losses, the group had now put its balance sheet on a sound footing after the repayment of all its auction market preferred stock. The way was now clear for a return to profitable growth.

He warned, however, that BET still needed to cut costs at the operating level – where margins have continued to slide – as the group still faced falling prices and pressure from competitors, who were prepared to sell purely on price.

BET would still need the last year of its self-imposed three-year "turnaround programme" to establish the right mix of businesses and to bring profitability up to that of competitors.

As expected by the market, BET chose to cut the final dividend. The final payment will be 1.25p, bringing the total for the year down to 3.25p from 6.5p. The loss per share was 4p compared with a 63.3p loss last year.

The pre-tax loss for 1991-2 of £448.4m included nearly £600m of provisions for goodwill write-offs and losses on disposal or termination of underperforming operations.

This year £33m of provisions covered reorganisation of management and installation of management control systems. Combined with a unified reporting and accounting procedure introduced last year, head office now had a clear picture of what was going on at its 80 profit centres.

In addition BET wrote off £42m from the value of assets, including £10m off the value of property to be sold imminently. BET said these provisions completed "the major retrenchment activity".

The group also chose to write off £21m of advance corporation tax, raising the tax charge to £15.5m, in a move which will give the group a normal tax charge in the years to come.

BET shares rose 3p to 111p.

Lex, Page 18; Details, Page 26

Finnish banking group hit by write-offs on credits

Unitas slides to FM512m loss for first four months

By Hugh Carnegy in Stockholm

A DOUBLING of loan losses plunged Unitas, Finland's second-largest banking group, deeper into the red in the first four months.

However, credit write-offs appear to be reaching a peak and should not exceed last year's total.

In a stark illustration of the depths of the crisis in the Finnish banking system, Unitas reported pre-tax losses of FM512m ($93.9m) – almost twice the level in the same period of 1992, when losses reached FM266m.

The chief culprit was another spate of bad loans, with write-offs on credits and guarantees rising by just over 100 per cent to FM845m, from FM419m.

However, the portfolio of non-performing credits fell by FM268m from the end of 1992 to FM8.57bn at the end of April. Of this total, some 18 per cent is accounted for by the trade, restaurant and hotel sectors, 12 per cent by property and 10 per cent by the construction industry.

Mr Vesa Vainio, chief executive, said the result for the year would show some improvement on the FM7.2bn loss in 1992, when credit losses tripled to FM3.3bn. But he warned the result would remain "severely negative".

Mr Vainio predicted that Unitas, the holding company for the Union Bank of Finland, would achieve its strategic objective of avoiding takeover by the state, a fate that has already befallen two Finnish banking groups.

Due to a fall in its risk-weighted assets to FM127.3bn from FM130.4bn at the end of 1992, the group's capital adequacy ratio under BIS calculations was down only marginally to 11 per cent from 11.1 per cent.

Unitas said that even without the FM1.7bn in preferred capital it received from the government last year, its capital adequacy ratio would be above the international minimum of 8 per cent.

The group reported that a trend of falling interest rates had led to a faster growth in interest income than interest expenses, resulting in a rise in net interest income of 7.5 per cent to FM686m. There was also a 38 per cent rise in other income to FM697m. However, group operating expenses rose 6.4 per cent to FM881m.

Finance chief of Sandoz resigns

By Ian Rodger in Zurich

MR VICTOR Bischoff, chief financial officer of Sandoz, has left the Swiss pharmaceutical and chemicals group "by mutual agreement".

Mr Bischoff, who led the formerly secretive group's moves towards greater transparency and involvement in international capital markets, is the third senior executive to leave in recent months.

Mr Max Link, formerly head of Sandoz' pharmaceutical division, has left to head another drug company, and his successor, Mr Rolf Soiron, has also moved on.

Their departures come at a time when the group appears to be preparing for the succession to Mr Marc Moret, the autocratic 69-year old chairman.

Mr Moret announced in March that he would step down as president of the executive board, but would carry on as chairman and chief executive officer.

Mr Daniel Wagnière, head of the group's US subsidiary, is to succeed him.

"This would appear to be further shake-out from the recent top-level changes," said Mr Peter Smith, pharmaceuticals analyst at brokers James Capel in London.

Sandoz declined to give any reason for Mr Bischoff's departure.

He joined the group in 1987 and became a member of the executive board in 1990.

● BP France said its chairman, Mr Raymond Bloch, will resign on September 30 and will be replaced by managing director Mr Paul Castellan, Reuter reports from Paris.

Mr Bloch, 54, said the development of BP France over the last few years was such that it no longer required both a chairman and a managing director. Mr Bloch will remain a member of the board.

The company said the decision was made before British Petroleum announced on June 9 an offer for the 14 per cent of shares in BP France that it does not already own.

State set to offer 43% of Tele Danmark

By Hilary Barnes in Copenhagen

THE DANISH government is preparing to sell off a large minority stake in Tele Danmark, the state's monopoly telephone company.

Mr Arne Melchior, communications minister, said the government was prepared to reduce its present 94 per cent holding in Tele Danmark to 51 per cent within the next 12 months.

The company was formed in 1991 through the merger of five regional telephone companies. The shares were yesterday suspended on the Copenhagen stock exchange at DKr170 ($27).

Plans to sell off shares to the public have been delayed several times by political difficulties.

The shares currently carry two conditions which mean that the share price does not reflect the value of the group. This has made them unattractive to private investors.

Steyr chief expects Sch100m shortfall

STEYR-Daimler-Puch Machinery, the Austrian arms and vehicle maker, is expected to make an operating loss of at least Sch100m in 1993, chief executive Mr Rudolf Streicher told the company's annual meeting, Reuter reports from Vienna.

"We expect a triple-digit loss (in millions of schillings)," Mr Streicher said. Only two of the 13 companies Steyr controls – Steyr Mannlicher and Steyr-Daimler-Puch Spezialfahrzeug – had delivered a positive result so far this year, he added.

He declined to give full details of first-half performance ahead of the presentation of final half-year results in July.

Steyr is 71 per cent owned by Creditanstalt-Bankverein.

However, Mr Streicher said that Steyr, which had a 1992 net profit of Sch17.5m ($1.53m) in figures which were consolidated for the first time, had suffered a further turnover loss so far this year.

Group turnover was down in the first four months by 30 per cent at Sch3.9bn against a year earlier.

Only the Eurostar minivan joint venture, being operated with Chrysler Corp of the US was on target, with turnover running at Sch2.7bn during the first five months.

Wholly-owned subsidiary Steyr-Daimler-Puch Fahrzeugtechnik has been worst hit, with turnover down 56 per cent so far this year – in line with the fall in turnover at the company in 1992.

● Landis & Gyr, the Swiss electro-mechanical engineering group, yesterday said that Mars Electronics International, a unit of Mars Inc, had acquired the assets, trade marks and technology of its Sodeco Cash Management Systems unit, Reuter reports from Zug. Sodeco employs around 80 people, and has annual sales of SFr30m ($20.7m). The company was unavailable for comment on financial details of the deal.

Fondiaria's fate seems to be sealed

Analysts believe the Italian insurer will be sold, says Haig Simonian

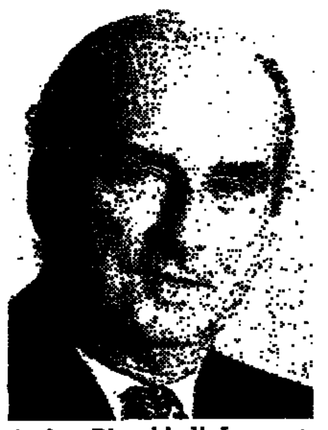
ASK Mr Arrigo Bianchi di Lavagna, new managing director of Italy's Fondiaria, about the need for disposals to cut borrowings and you will be invited to inquire at Ferruzzi, the main shareholder. Ask Ferruzzi, and the answer is simple: Fondiaria, Italy's third-largest insurer, is not for sale.

But after this month's revelations of huge debts at Ferruzzi and the Ferruzzi family's decision to put the group's future in the hands of its bankers, many observers believe Fondiaria's fate has been sealed; Mr Bianchi di Lavagna is preparing it for the block.

Even if disposal is not a foregone conclusion, Fondiaria must be turned around. With Ferruzzi struggling for survival, Fondiaria – which lost about L580bn ($392m) last year and faces consolidated net debts of about L2,000bn – must start paying dividends again.

Much of the borrowing came under Mr Alfonso Scarpa, Fondiaria's former managing director, who oversaw an ambitious but ill-fated expansion into insurance abroad and diversification at home. Fondiaria invested about DM1.21bn ($744m) in Aachener und Münchener Beteiligungs, Germany's second-largest insurer, in which it had a 21 per cent stake. It also had a holding in the linked Volksfürsorge (Vofü) life group as part of an ambitious expansion plan.

Last month Fondiaria sold its shares in AMB and the subsidiary controlling Vofü. The disposal will net about



Arrigo Bianchi di Lavagna: core business is a priority

DM1.18bn, less than the original investment and a hefty loss when interest payments on the money borrowed to buy the shares are taken into account.

Untangling the German commitment means Mr Bianchi di Lavagna can turn to some of the domestic loss-making ventures into which Fondiaria diversified. These included clinics and hotels. In both cases, Fondiaria not only bought the properties but also took management responsibility. Moreover, much of the diversification was financed by borrowing. The clinics and hotels are now for sale,

Stripped of the loss-makers, the priority will be to improve earnings at the core insurance business. The Fondiaria group made underwriting losses of about L473bn last year. Losses were heaviest in third-party motor policies, where Italian insurers have taken a battering as state-regulated tariffs have failed to keep up with the cost and quantity of claims.

Mr Bianchi di Lavagna has two strategies to deal with the motor side. First, tariffs must rise to cover losses – which will be possible after liberalisation in July 1994. Second, Fondiaria must reduce the share of third-party motor insurance in its portfolio. It now has about 13.5 per cent of the Italian market for third-party motor cover – more than double the share of its nearest competitor.

Third-party cover is an important cash-cow, generating about L8.4bn in daily premiums for Fondiaria. But competition is likely to keep profits under pressure, forcing Fondiaria to broaden its product base.

Many observers have already discounted Mr Bianchi di Lavagna's success in turning the group round. The focus has shifted to the group's fate after his medicine starts working.

Finding a single buyer for the group as it stands would probably maximise the return for Ferruzzi and the family of Mr Camillio De Benedetti, the Italian financier who died earlier this year. They jointly control Fondiaria through the quoted Gaic holding company.

But Fondiaria will not come cheap. With aggregate premiums of L6,101bn last year, the group would give a foreign insurer an enviable position in the Italian market, widely believed to have the highest growth potential in Europe.

Failing that, a break-up is the obvious solution. Ironically, that has been made easier due to the 1990-91 restructuring by Mr Scarpa, who reorganised the group into a holding company with three main subsidiaries.

The biggest, La Fondiaria Assicurazioni, had premiums of L1,859bn last year. Milano Assicurazioni had L1,402bn, while La Previdente had L1,289bn. Each could be an attractive buy in its own right.

Two of the three have big individual investors, which look like obvious bidders. Istituto Bancario San Paolo di Torino, Italy's largest bank, owns about 27 per cent of Milano, while GroupAMA, the big French mutual insurer, has 20 per cent of La Fondiaria Assicurazioni. San Paolo is already working closely with Milano on a range of insurance and banking products; it is also one of Ferruzzi's biggest bank creditors. GroupAMA could also be tempted by Fondiaria as an easy entrée into Italy.

Many observers expect Generali, Italy's largest insurer, to buy at least part of Fondiaria. Mediobanca, the merchant bank leading the five-bank committee of Ferruzzi's biggest creditors, is also a leading shareholder in Generali.

The Italian market is sufficiently fragmented for Generali to buy a Fondiaria unit without hitting monopoly barriers. RAS, Italy's second-largest insurer, which is owned by Germany's Allianz, could also be a suitor.

East Midlands Electricity lifts payout 14%

By Michael Smith in London

EAST MIDLANDS Electricity set the scene for high dividend rises among UK regional electricity companies (Recs) when yesterday it raised its payout to shareholders by 14 per cent.

Analysts had expected East Midlands, the first of the Recs to post results for last year, to offer one of the lowest dividend rises.

"We might be looking at 14 per cent plus for all of them now," said one.

For the year to March 31, East Midlands reported pre-tax profits up 3.4 per cent at £155.1m on turnover up 1.7 per cent to £1.57bn. The final dividend was 13.78p net, making a total of 19.5p, paid from earnings of 53.3p, up 6.4 per cent.

The shares rose 6p to 456p, and the expectation of high dividend rises benefited other companies: London Electricity rose 10p to 465p and Yorkshire Electricity was up 10p at 512p.

Mr John Harris, East Midlands chairman, said this year's dividend did not mean that company would necessarily provide increases at the same level in future. He saw no risk of being penalised by the regulator for the dividend rise.

"We have demonstrated we are one of the lowest cost operators in the country and we are reducing tariffs in real terms," he said.

The City applauded East Midlands for its attack on costs. Mr Harris said the restructuring of its core electricity business, which involves cutting operating divisions from 13 to seven, would reduce operating costs by £10m a year when fully implemented.

Electricity supply and distribution made operating profits of £179.6m, up 16.4 per cent. However, the energy services made an operating loss of £4.9m compared with a profit of £1.8m in 1992.

Mr Harris admitted not all the contracting businesses had performed as well as expected.

Lex, Page 18

Apple PC price cuts and rebates may spark battle

By Louise Kehoe in San Francisco

APPLE Computer yesterday announced US price cuts and customer rebates in a move that could spark a price war in the personal computer industry. Over the past 18 months, prices of PCs in the US have declined by nearly 50 per cent.

Last week Apple's share price fell sharply when the company predicted lower than expected second-half earnings because of price cutting. Apple was trading yesterday at $43½, its lowest price in eight months.

Apple lowered US retail prices on selected computers by between 6.8 per cent and 12.6 per cent, and by as much as 26 per cent on some peripherals.

The company also announced a promotion with "On-the-spot rebates", giving customers cash rebates of $50 to $350 on the purchase of a selection of Macintosh computers and Apple scanners and printers.

For example, a Macintosh IIvx 4/80, middle of the product line desktop computer was reduced from $1,899 to $1,659. Purchasers will also get a $150 rebate, until September 30, bringing the effective price down to $1,509.

"Momentum for Macintosh products remains strong – unit shipments increased 35 per cent in the first half of our fiscal year," said Mr Bob Puette, president of Apple USA. "And, we're committed to accelerating that momentum."

Yesterday's moves mark the second time in two months that Apple has reduced prices. In May, the company lowered the prices of some of its computers by up to 16 per cent and cut some printer prices by 29 per cent.

Separately, Apple introduced a new low-cost laser printer aimed at consumers and the education market. Priced in the US at $689, the new Personal LaserWriter 300 is one of the cheapest laser printers on the market.

Investors sue Merrill Lynch over funds

By Patrick Harverson in New York

A GROUP of foreign investors is suing Merrill Lynch for more than $86m. They allege they were misled over the riskiness of an international mutual fund sold by the big US securities house.

The suit, filed in a San Diego court by individual investors and investment companies from Mexico, Liberia, Israel and the British West Indies, revolves around two of Merrill's mutual funds – the Short-Term World Income Portfolio and the Short-Term Global Income Fund – which invest in short-term foreign debt securities.

According to the suit, the two funds were broadly similar, yet the foreign investors in the World fund were not adequately informed in the prospectus of the risks, while the US investors in the Global fund were told of the riskiness of their fund's investments.

Merrill Lynch emphatically refuted the allegations. In a statement, the firm said: "There were no misrepresentations to World fund investors and there is absolutely no merit to this lawsuit."

Merrill said the investors ignored the full disclosure of currency and hedging risks in the prospectus, which met all international standards.

The investors suing Merrill are seeking to have their suits, which are claiming unspecified damages of at least $86m, certified as a single class action.

Caisse de Depôt buys further 22% of Univa

By Robert Gibbens in Montreal

CAISSE de Depôt, which manages Quebec's public pension funds, is buying 22.5 per cent of Univa, Canada's second biggest food distributor.

It is buying the shares from Mr Bertin Nadeau, a Montreal entrepreneur, for C$171m (US$134m). The deal increases Caisse's shareholding in Univa to 36 per cent, including shares it already owns. However, it is looking for an investor group to buy part of this.

Caisse is paying C$8.50 a share, or slightly more than the recent stock market level. It is not required to make a follow-up offer. Mr Nadeau, through his Unigesco holding company, owned 26 per cent of Univa. He was the biggest single shareholder and was chairman of the Univa board.

Including 2.2m Univa shares that Unigesco is transferring to the Ontario Teachers Pension Board to satisfy a C$25m debenture exchange option, Mr Nadeau is effectively receiving C$196m. He will use the proceeds to meet Unigesco debt payments due over the next year.

In February New York investment bankers Blackstone Group offered C$11 each for all Univa's shares in a takeover worth around C$1bn. This was withdrawn following opposition from the Caisse.

E. M. Warburg Pincus, another New York investment group, also bid C$8.85 a share for Mr Nadeau's 26 per cent, but withdrew at the last moment.

● Laurentian, the financial services group, has negotiated a C$130m five-year line of credit with National Bank of Canada, National Westminster Canada, and Credit Lyonnais Canada to be used partly to repay a C$70m preferred issue.

● BCE, Canada's biggest telecommunications group, is selling BABN, an international lottery ticket manufacturer, to one of Canada's fastest-growing commercial printers for C$47m. The disposal completes nearly all BCE's divestment of non-telecom activities.

Carmakers' prophet shows the road ahead

Mr José Ignacio Lopez shares his vision for Europe with Christopher Parkes

ACCORDING to the prophet Mr José Ignacio Lopez de Arriortúa, the European car industry will go the same way as steel and shipbuilding unless the third industrial revolution gets under way soon.

According to Mr Lopez, the engineer, the seeds of revolution number three – the successor to the steam-powered loom and the moving production line – have already been sown in the vast factory halls of Volkswagen's German works.

And if Mr Lopez the long-sighted manager has his way, a second crop of radical changes in manufacturing methods will soon be sprouting on a new green-field site in northern Spain.

Adeptly swapping all three hats in his first full-scale outing yesterday, Mr Lopez totted up the components of the impending crunch. International investment plans in motor manufacture, most notably Korea's proposals to raise output from 2m to 7m cars a year, would burden the world with more than 10m cars' worth of excess capacity by the end of the 1990s, he said.

In Europe, all the trends, especially cost structures and imports from Japan and Japanese transplants in the US and England, were going in the wrong direction.

Mr Lopez flashed up a graph showing all German motor makers' input costs rising dramatically – except for one. The line for Adam Opel, his former employer, clearly demonstrated his ability to reduce costs and keep them moving down.

If the battle for the motor industry were lost, European manufacturers were fated to become second-class citizens, he said.

Not to fear though; VW had chosen to fight and to win. Promising quantum leaps, powered by a concept dubbed Continuous Improvement Programme Squared (KVP2), Mr Lopez unveiled a graph showing VW's future performance bouncing in a series of dramatic loops way above the steadily-rising trend line established by the Japanese. The time-scale axis was void of numbers.

To clear any doubts, he flashed up more charts and figures. Since he joined VW in mid-March he and his team have set up and completed 114 one-week workshops in which teams of freshly-inspired workers had already unleashed part of the power of KVP2.

Average results from these projects have so far shown a 30 per cent improvement in quality. Productivity was up an average 28 per cent. Lead times have been reduced by 37 per cent, stock requirements by 34 per cent, and the necessary working space by 29 per cent.

José Ignacio Lopez: 'lost enthusiasm' with GM plans

As a prize example, he selected the piston pre-assembly shop in the Salzgitter works, where productivity was already up 67 per cent and the workforce was operating in 60 per cent less space. Even as he spoke, 41 further workshops were under way and 53 were planned for next week.

However, apart from some generalities about "spirit, ascendant values, protagonism", he divulged few details. He was giving little away which might benefit competitors. He was, rather, sharing his vision of himself as a committed European, *en mission* searching restlessly for new inefficiencies to be rooted out, while bidding to soften some of the harsher impressions of his manner and methods disseminated by the media.

It was naïve to believe that a 30 per cent improvement in productivity could lead to 30 per cent fewer jobs, he claimed.

His whole concept was founded on the principle that if VW offered customers cars stuffed with enhanced value, at prices the market could bear, they would buy more cars and the company could employ more people.

Similarly, the man known as the "strangler" out of respect for his rigorous ways with component makers, claimed that far from reducing the number of the group's outside suppliers, their numbers might even grow from around 10,000 now to as many as 30,000 under the beneficient impact of KVP2.

While this appeared to be at odds with other official statements from within the VW hierarchy, Mr Lopez showed himself to be a man unafraid of a little fudge.

On the issue of his bizarre defection from GM this spring, he claimed Mr Ferdinand Piëch, group chairman, and he had been brought together before Christmas by "a supplier".

Earlier statements from Mr Piëch to the effect that he had been approached directly by Mr Lopez were "a misunderstanding", a spokesman explained.

But he was quite clear on the reasons for his arrival at VW: on March 8 at Adam Opel, he discovered that GM had different ideas for his ultra-lean dream plant for a dream car in the dream location of his Basque homeland.

"I lost my enthusiasm and willingness when I realised they would not make it in the way I would like," he said.

"Mr Piëch promised me nothing, but he believes manufacturing can be improved by my ideas. I am confident we will have this plant."

Marriott in $32m charge

By Nikki Tait in New York

MARRIOTT Corporation, the US hotels and food services group, is to take a $32m charge against its second-quarter earnings, to reflect more accurately the net realisable value of assets being "held for sale".

Marriott said the after-tax, non-cash charge followed discussions with the Securities and Exchange Commission. As a result of the talks, Marriott will now determine the net realisable value of all assets held for sale on a property-by-property basis.

It had previously calculated the figure using a property-by-property analysis for its full-service hotels, but an aggregate basis – by hotel brand – for its other middle and economy-market hotel properties.

Marriott has also called its annual meeting for July 23, when it will ask shareholders to vote on its controversial "demerger" plan. Marriott wants to spin off its hotel management business, leaving the property assets and the bulk of the group's heavy debts in the ongoing company.

This has angered bondholders, and some have taken legal action.

Ivax agrees to takeover

By Karen Zagor in New York

IVAX, a rapidly-expanding US holding company formed from the merger of three pharmaceutical and chemicals companies, yesterday agreed to buy Johnson Products in a deal valued between $61m and $73m.

On Wall Street, shares in Johnson Products, a health care products group, jumped $5⅞ to $24⅝, while Ivax edged $⅛ higher to $25¼ after a delayed opening.

The planned deal is subject to a number of conditions, including regulatory and shareholder approval and confirmation that the transaction qualifies for accounting treatment as a pooling of interests.

Johnson Products' majority shareholder has agreed to vote for the takeover unless the company's board accepts or recommends a better offer before July 29.

In Europe, Ivax has expanded rapidly. Efforts to extend its marketing network and product range includes the £22m ($33.8m) acquisition of Waverly Pharmaceutical, a privately-owned UK contract manufacturing group, and the purchase of Harris Pharmaceuticals, a generics maker.

Bombardier aircraft plan

By Robert Gibbens

BOMBARDIER, the aerospace and transit equipment group, is moving towards production of the Dash-8-400, a 70-seater turboprop regional airliner.

Its de Havilland unit in Toronto, acquired in 1992 from Boeing, has invested C$15m (US$11.8m) in the Series 400 programme up until now.

Bombardier says wing-design refinements and other technological improvements fit the aircraft closely to emerging market needs.

SEC study could bring equities trading shake-up

Patrick Harverson examines the US regulation issues which the Market 2000 review is considering

THE STRUCTURE of equities trading in the US could soon face a shake-up if Market 2000, the Securities and Exchange Commission's year-long study into the regulation of the country's stock markets, packs anything like the punch of its predecessor.

The last comparable study undertaken by the SEC, the government agency that administers US securities laws and regulates financial markets, was completed 20 years ago and led to the "May Day" revolution of 1975, which abolished fixed brokerage commissions and forever changed the way business was conducted on Wall Street.

The SEC's division of market regulation, which is compiling Market 2000, hopes the review will be ready later this summer, although it may be delayed by the arrival of the new SEC chairman, Mr Arthur Levitt, who has yet to be confirmed in his job by Congress.

The study's recommendations will be considered by the agency's five commissioners, who will decide whether to introduce regulations based on its findings. Congress may then amend the US securities laws in line with any reforms.

The motivation behind Market 2000 dates from the changes introduced in 1975. The SEC hoped then that the competitive forces its reforms unleashed would lead to the evolution of a single national market system through which all stock trades would be routed, and which would be accessible to all investors.

While many of the changes introduced in 1975 have benefited the securities business – trading volume has risen steeply, new financial instruments and trading methods have proliferated – the competition that the reforms unleashed produced a fragmentation, not a centralisation, of US stock markets.

Today, share orders are executed in an array of different arenas. While many investors buy and sell stocks in the traditional way – through brokers who place their orders on the floor of the New York Stock Exchange – others trade via brokers who execute orders on electronic over-the-counter markets.

Also, some bigger investors trade directly with broker-dealer firms, while others prefer to bypass the intermediaries and exchanges altogether and buy and sell directly with each other.

The growing multiplicity of trading forums has had a profound effect on the NYSE, the country's largest stock market. Its share of trading in US stocks has been under attack from a growing band of competitors. They include:

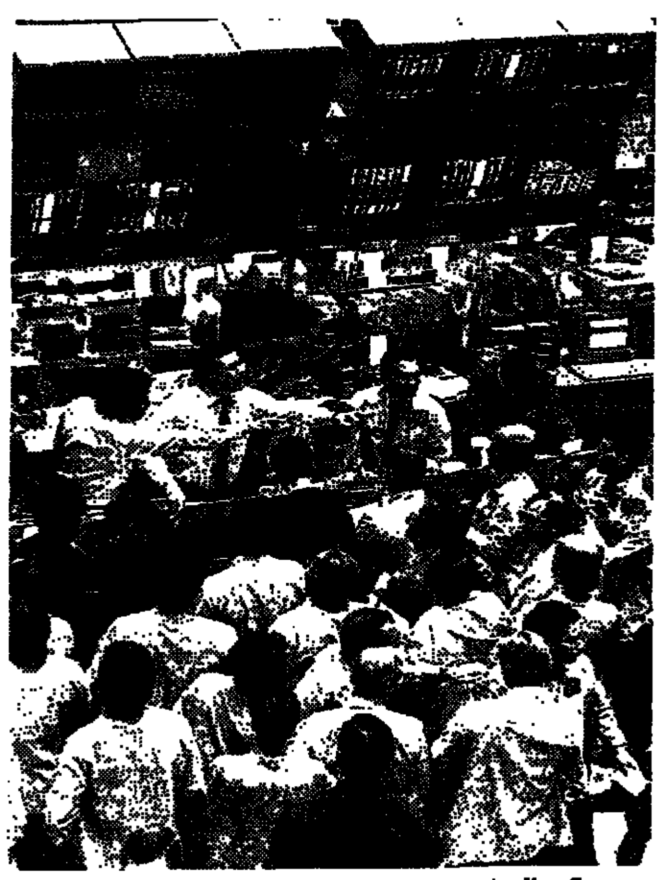
- Nasdaq (the electronic broker-dealer market run by the National Association of Securities Dealers).
- Smaller registered exchanges such as the American Stock Exchange; regional stock markets such as those in Cincinnati and Philadelphia.
- Privately-run computerised trading systems that offer investors an electronic trading forum free of dealers and other intermediaries.

The NYSE has also lost business to the London Stock Exchange, which trades US shares before New York opens and which imposes less strict disclosure requirements on brokers and institutions than is the case in the US.

Competition has been the prime reason for the way the NYSE's grip on domestic equities trading has weakened. In 1981, 75 per cent of trading in all US stocks was handled by the NYSE. Today its share of the business has dropped to a little more than half.

Quite simply, brokerage firms and institutional investors have turned to other markets or systems where the absence of expensive trading floors and market-makers means trades can be completed more efficiently and for less cost.

This sort of fragmentation is leading to the emergence of a two-tier market with one level for the big players and another for the small investors: and it is a development which is of concern to the SEC.



NYSE challenger: The American Stock Exchange trading floor

In many ways, a two-tier market already exists. Powerful institutions enjoy the benefits of fragmented markets by using their money and power to keep transaction costs down, and to gain access to intermediary-free computer trading networks.

Additionally, institutions can trade where they do not have to disclose all the details of their activities. The Posit system, run by the Californian broking house Jeffries & Co, is one example, and the London Stock Exchange's Seaq International system, another.

As for smaller investors, they lack the sophistication, technology and capital to access the cheaper electronic systems, and have to use traditional markets where execution can be slower and more expensive. Even if their orders are directed by brokers to some of the newer trading arenas, it is mostly done without their knowledge or without attendant cost advantages being passed on.

The SEC is approaching the issue of market fragmentation gingerly. The agency will not say what it hopes its Market 2000 study will achieve. Instead, the SEC says only that it has been addressing a number of issues in detail, among them: fragmentation of trading; market liquidity; the execution of trades; the emergence of privately-run computerised trading systems; and the relative regulatory burdens on the different markets.

Above all, the SEC wants to look again at the regulatory framework that supports equities trading.

Much of the regulatory structure dates from before the 1970s, when trading stocks in the US was a simple process.

In the intervening years, the SEC has failed to develop an overall regulatory strategy. The agency admits that its approach to regulation has not been well organised. Mr William Heyman, former director of the SEC's division of market regulation and a guiding force behind Market 2000, describes the study as "an effort by the staff to look comprehensively at things which in the past we have been looking at piecemeal".

Among the regulatory issues the study is tackling, the most contentious is the future of NYSE Rules 390 and 500. The former limits NYSE member firms from trading listed stocks away from the exchange, the latter makes it difficult for companies voluntarily to remove their stock listing from the exchange.

The NYSE's competitors have lobbied for abolition of both rules, claiming they give the exchange an unfair advantage.

Although there is no indication that the abolition of Rule 500 would lead to a rush of companies away from the NYSE, the exchange nevertheless fears that some companies might leave and list their shares on Nasdaq, home to such corporate giants as Microsoft and Apple Computer.

While the NYSE is under fire over rules 390 and 500, it is on the attack over other issues. It is highly critical of the practice employed by trading systems and over-the-counter market-making firms of paying brokers a fee (usually between one and two cents a share) for directing customer orders their way.

This "payment for order flow" is used by trading firms and systems to bring in business that might otherwise go to the NYSE. Madoff Securities in New York is one of the biggest payers for order flow, luring large amounts of business from brokers in exchange for a payment and a promise of quick order execution on its in-house stock trading system. On a good day, Madoff handles as much as 10 per cent of all trading in NYSE stocks.

Not surprisingly, the NYSE wants the SEC to ban payment for order flow, arguing that in accepting payments to route customers' orders to a particular firm or system, brokers are not necessarily finding the best execution price for their customers.

Until the SEC rules on the issue, the NYSE is defending its share of trading by offering rebates to brokers who bring small trades to the exchange. Mr William Donaldson, the NYSE chairman, said he hoped the rebate offer would "at the very least, arrest further order erosion, and at best, accomplish repatriation of order flow".

The NYSE has also challenged what it claims are unevenly distributed regulatory costs. It says that while it is forced to comply with a wide and costly array of SEC regulations, rival electronic trading systems bear a lighter regulatory burden. The NYSE would like to see these systems regulated as fully as the established exchanges. For their part, operators of systems say they should be regulated differently because they handle only a fraction of the business handled by the NYSE.

What are the chances of the SEC heeding the NYSE's requests, or those of its competitors? From the start the SEC singled out Rules 390 and 500 as important issues for review in the study, so neither is likely to survive in its present form.

While abolishing the two rules would hurt the NYSE, the pain of the blow could be softened. As for the broader issues of fragmentation, and the two-tier market, the SEC's task will be still more difficult. Although, the agency is reluctant to intervene, it is under increasing pressure to do so.

As the agency's Mr Heyman says: "Ultimately, the market participants will look to the SEC to resolve these seemingly intractable issues."

AECI, Sasol merge petrochemical and plastics interests

By Philip Gawith in Johannesburg

AECI and Sasol, South Africa's two biggest chemicals groups, are to merge some of their petrochemical and plastics interests and form a company with an annual sales of more than R2.5bn ($784m).

The proposed merger combines Sasol's feedstocks with downstream converting companies in AECI, which is 38 per cent owned by ICI of the UK. It will produce an integrated and diversified plastics group able to compete internationally.

The initiative is an attempt to improve the companies' competitive position against the background of weak international petrochemical markets and the prospect of increased competition in the domestic market as tariff barriers are lowered.

Mr Mike Sander, managing director of AECI, said: "It takes us from being an inwardly focused group to a manufacturing entity that can be very, very competitive internationally."

Mr Paul Kruger, managing director of Sasol, said the venture was a logical step in Sasol's strategy of adding value to its feedstock strength by expanding its interest in the polymer business.

Apart from being attractive in itself, the venture offers Sasol a market for additional ethylene.

The proposed merger will allow the new company – to be owned 60 per cent by Sasol and 40 per cent by AECI – to embark on a project converting AECI's PVC from carbide feedstock to ethylene feedstock.

Sasol produces feedstocks such as ethylene, propylene and polypropylene which are used in the production of downstream products such as chlcr-alkali, PVC, polyethylene and cyanide by AECI.

Mr Kruger said the deal was not anti-competitive as the two companies were not in competition.

It was "a combination of strengths, not a combination of products to eliminate competition in the market place".

AECI confirmed yesterday that discussions were under way, following the ICI/Zeneca demerger, "to review ICI's position in the businesses operated by AECI with a view to aligning ICI's interest in AECI more closely with ICI's international business strategy."

Daiei to absorb three affiliates as demand slides

By Emiko Terazono in Tokyo

DAIEI, Japan's largest supermarket chain which is known for its aggressive expansion, has announced it will absorb three retail affiliates in next March, pushing annual sales up to Y2,590bn ($24bn) and widening its lead over Ito-Yokado, the country's second largest retailer.

The decision comes as Japan's retailers are being hit by a plunge in consumer demand and increased competition from discount chains and convenience stores.

The move is expected to accelerate the pace of rationalisation within the country's complex retail and distribution sector, lowering prices of consumer goods, including imports. Mr Yuji Tanahashi, vice-minister of the Ministry of International Trade and Industry, yesterday welcomed the move, adding that the retail sector would no longer be able to enjoy growth as strong as in the past.

Daiei will absorb Chujitsuya, Uneed Daiei and Daihana, three smaller regional supermarket chains. Daiei will issue a total of 167,951,000 new shares for the merger, alloting 12 Daiei shares for 10 Chujitsuya shares, and nine Daiei shares for 10 Uneed shares. Daihana, a wholly owned subsidiary, will transfer its assets to Daiei.

The company will be the first retailer to have a national network from Hokkaido, the island in the north, to Okinawa in the south.

Mr Isao Nakauchi, president of Daiei, said the merger will lead to a more efficient operation, through integration of merchandise purchasing, distribution networks and personnel. He said the company will promote imports and lower prices.

Daiei bought 41.9 per cent of Chujitsuya, which has a large network in the Tokyo area, in March last year, from Shuwa, the stock and property speculator, which was facing severe financial difficulties.

However, the rapid growth of its complex corporate structure has made the company's true financial state unclear. Among its many acquisitions, the company bought 34 per cent of Recruit, the publishing and real estate concern last year.

Meanwhile, Daiei's announcement prompted the Tokyo Stock Exchange to halt trading in Daiei and Chujitsuya shares, while trading in Uneed, listed on the second section of the Osaka Securities Exchange, was also suspended. Ichiken, a construction company in the Daiei group, however, surged Y110 to Y1,110.

S&P downgrades Sony debt

By Michiyo Nakamoto in Tokyo

STANDARD AND POOR'S has downgraded the credit rating of Sony, the Japanese consumer electronics company, from single-A plus to single-A due to the company's sluggish business outlook both on the domestic market and overseas.

The international credit rating agency cited as reasons for the downgrading the weakening of Sony's earnings in the past two years, the gloomy outlook for its business in the face of continued weak demand in Japan and Europe, the strong yen and the lack of products that are likely to be highly successful.

In the year to March, Sony reported a 57 per cent decline in pre-tax profits to Y92.6bn ($869m) on sales of Y3,993bn, up 1.6 per cent.

The company is forecasting a 2 per cent decline in sales and a 6 per cent drop in pre-tax profits for the current year due in part to higher interest charges.

Sony is the latest of a number of Japanese electronics companies which have had their credit ratings downgraded in recent months.

The continuing slump in consumer spending in Japan has been compounded by the adverse effect of the yen on the profitability of many electronics companies which depend on exports for a high proportion of their revenues.

S&P said that although Sony's capital structure did not deteriorate in the fiscal year that ended on March 31, debt leverage has been relatively high since the acquisition of Columbia Pictures (now Sony Pictures Entertainment) in 1989.

Sony Pictures Entertainment's subordinated rating has also been downgraded to A- from A.

Kyotaru shake-up chief quits

By Robert Thomson in Tokyo

AN EXECUTIVE who transferred from Fuji Bank, the Japanese commercial bank, to oversee the restructuring of Kyotaru, a leading restaurant operator, has resigned after an apparent policy disagreement.

The dispute is one of an increasing number between Japanese banks and clients over the adoption of tough measures to reduce debt and streamline operations in line with bank recommendations.

Kyotaru said Mr Takeru Yamazaki, who transferred from Fuji Bank to become vice-president of the company, had resigned for "health reasons". However, the bank says he resigned because Kyotaru insisted on a "self-restructuring", giving him little room to exercise influence.

The restaurant operator had agreed with its banks to reduce outstanding debts from Y62bn to Y40bn ($375m) through the disposal of property assets, the sale of three US subsidiaries, and the closure of 30 family restaurants in Japan.

Kyotaru was forced to cover its losses following its guarantee of Y15bn in loans for an affiliate, Edo Fudosan, which invested unsuccessfully in stocks and property. In the year ended in December, Kyotaru reported a net loss of Y12.2bn.

Fuji Bank, which holds a 4.8 per cent stake in the company, had taken a step typical in Japanese restructurings by sending Mr Yamazaki, a former director at the bank, to Kyotaru three months ago.

The disagreement between Kyotaru and Fuji Bank follows the dismissal of bank advisers by Azabu Building, a developer with Y700bn in outstanding debts, after they urged the sale of assets including a Hawaiian hotel particularly cherished by Azabu's former chief executive.

Rotorex plans $40m venture in Shezhen

By Anthony Walker in Beijing

ROTOREX, the biggest US compressor manufacturer, plans to build a $40m joint venture plant in Shenzhen, southern China's Special Economic Zone.. The company expects to sign a formal agreement next month with a Shenzhen air-conditioning factory.

"We're completing feasibility studies," said Mr Stewart Pei, vice-president of Rotorex, "but we're certainly turning our attention from the US, our old market that is saturated, to China, a new market with a huge potential."

Rotorex's Shenzhen plant would produce 1.5m compressors a year. The Maryland-based company also plans to sell 200,000 compressors, worth $20m, to China this year.

"We've licenced three air-conditioner manufacturers in China," said Mr Pei, "but we want to do more." The three plants with Rotorex technology are in Nanjing, Guangzhou and Zhuhai, in China's booming southern coastal region.

As living standards have improved in recent years, sales of air-conditioners have grown steadily. China has now 177 home air-conditioner plants producing, in 1992, 1.52m sets, 155 per cent more than the previous year. More such plants are emerging across the country.

China imports 1.5m compressors a year, mostly from Japan and the US.

Coles Myer sells stake in NZ supermarket group

By Bruce Jacques in Sydney

COLES MYER, the Australian retailer, has sold for NZ$128.2m (US$69.6m) its remaining 38.1 per cent stake in Progressive Enterprises, the New Zealand supermarket operator it bought in 1988 then floated in March last year.

Mr Peter Bartels, chief executive, said the buyer was Foodland Associates, the Western Australian supermarket group, at NZ$2.00 a share.

Mr Bartels said funds raised from the sale would be used to expand Coles Myer's remaining interests in New Zealand which included the Kmart and Katies chains and retail property investments.

"Maintaining a minority interest in Progressive Enterprises does not sit well with our future strategy in New Zealand where we are committed to expanding strongly in the non-food retail sector," he said

Mr Bartels said Foodland was already a significant participant in New Zealand supermarkets, owning the Rattray and Countdown chains.

He said two of Coles Myer's four directors on the Progressive board would step down immediately and the other two would step down on completion of the sale which required approval from New Zealand regulatory authorities.

COMPANY NOTICES

THE VENEZUELA HIGH INCOME FUND N.V.

DIVIDEND NOTICE

Consistent with the authorization granted by the Board of Supervisory Directors on May 13, 1993, notice is hereby given that the Fund will pay a distribution of U.S. $0.25 per share on July 15, 1993 to common shareholders of record at the close of business on June 30, 1993, in the case of shares held in registered form, or upon presentation of coupon number 8 attached to the common share certificate to the Fund's Paying Agent (on or after July 15, 1993), in the case of common shares held in bearer form.

By order of the Managing Director

Managing Director and Location of Principal Office
Curacao Corporation Company N.V.
De Ruyterkade 62, P.O. Box 812
Willemstad, Cruacao
Netherlands, Antilles

Administrator, Registrar, Transfer and Paying Agent
Cititrust (Bahamas) Limited
Thompson Boulevard
P.O. Box N1576
Oakes Field
Nassau, Bahamas

Investment Manager
Scudder, Stevens & Clark, Inc.

INTERNATIONAL CAPITAL MARKETS

Paris rate cut brings futures market to life

By Peter John in London and Patrick Harverson in New York

A CUT in French short-term interest rates enlivened the European government bond markets yesterday, raising hopes that other countries would follow suit shortly.

The Bank of France cut its intervention rate by 25 basis points to 7.25 per cent and reduced its repo rate. However, the move had little effect on short-dated French government bonds which had discounted the move.

The longer end was relatively stable with the yield on the 10-year OATs maturing in 2003 falling 6 basis points to 6.94 per cent.

GOVERNMENT BONDS

Most of the activity took place in the futures market as the 10-year June futures contract on the Matif broke through a resistance level and rose 36 basis points to hit a new high at 118.66.

The futures contract continued higher in after hours trading.

■ THE FRENCH move refocused attention on the narrowing spread between long-dated French and German yields. German bonds performed well as many investors considered that the spread with France and other countries was too tight. Optimism that the Bundesbank will find it easier to cut its Lombard and discount rates – currently at 8.5 per cent and 7.25 per cent respectively – at the next council meeting on Thursday, provided an added lift.

Some economists are factoring in a quarter percentage point cut on Thursday preceded by a slight reduction in the repo rate – currently at 7.60 per cent – on Wednesday.

The market was further buoyed by international buying and September bund futures rose 0.16 points to 95.04.

■ UK government bonds took heart from the French rate cut and received an extra lift from encouraging economic data and the successful take-up of a Bank of England gilt tranche.

The positive yield curve flattened slightly and the September gilt futures rose ¼ to 104.27.

The announcement of a 4 per cent rise in producer prices was in line with expectations and soothed some nerves over inflationary trends.

In addition, the Bank of England's offer of a £700m tranche of stock at 8¾ per cent, maturing in 2017, was sold out.

Ultimately, however, the market was waiting for the outcome of the new UK chancellor's Mansion House speech on the economy last night.

■ HIGH yielding bond markets were still attracting interest with Italian government bonds very firm following Friday's interest rate cut.

The Italian bond futures contract for September rose nearly 0.40 to 10.19, partly as a result of the half-point cut in the discount rate but also as a result of the general appetite for high yielding currencies.

Spanish bond futures rose 0.86 to 96.45 and Portuguese bonds closed higher on the day.

The latter were set to continue their rise after the central bank cut its intervention rates by 0.75 point and the monthly inflation figure was unchanged at 0.5 per cent. January 1993 five-year 12.5 per cent bonds closed Es25 higher at Es10,255 and April 1993 seven-year 11.875 per cent bonds closed up 31 at 10,116 escudos.

■ IN Sweden, another high-yielding market, government bonds closed relatively unchanged as investors took profits following an auction of two-year and six-year bonds.

Ten-year yields ended flat at 8.58 per cent while at the shorter end, two-year yields were unchanged at 7.54 per cent.

■ US Treasury prices rose slightly in subdued trading yesterday morning as investors and dealers looked forward to today's consumer prices data.

By midday, the benchmark 30-year government bond was up $\frac{1}{16}$ at 104$\frac{3}{16}$, yielding 6.799 per cent.

At the short end of the market, the two-year note was slightly firmer, up $\frac{1}{16}$ at 100$\frac{1}{32}$, to yield 4.091 per cent.

Last week's news that the May producer prices index was unchanged helped calm the market's fears that resurgent inflation would force the Federal Reserve to raise short-term interest rates, and it was follow-through buying from Friday that provided prices with their early lift yesterday.

FT FIXED INTEREST INDICES

	June 14	June 11	June 10	June 9	June 8	Year ago	High *	Low *
Govt Secs (UK)	95.57	95.37	95.38	95.32	95.02	88.70	98.04	93.28
Fixed Interest	111.87	111.85	111.81	110.99	110.94	104.42	113.83	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 113.83 (8/3/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	June 11	June 10	June 9	June 8	June 7
Gilt Edged Bargains	78.7	84.0	94.2	81.3	77.1
5-Day average	83.3	84.7	86.1	85.8	89.0

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	112.7948	-0.007	7.66	7.74	7.53
BELGIUM		9.000	03/03	112.0400	+0.240	7.24	7.37	7.42
CANADA *		7.250	06/03	98.5000	-	7.47	7.60	7.72
DENMARK		8.000	05/03	106.0500	+0.850	7.13	7.47	7.51
FRANCE	BTAN	8.000	05/98	106.4844	+0.245	6.41	6.60	6.64
	OAT	8.500	04/03	110.8100	+0.410	6.94	7.17	7.12
GERMANY		6.75	04/03	99.9750	+0.290	6.75	6.90	6.78
ITALY		11.500	03/03	99.3700	+1.020	11.94†	12.28	12.44
JAPAN	No 119	4.800	06/99	102.3174	+0.170	4.32	4.42	4.43
	No 145	5.500	03/02	105.8241	+0.100	4.42	4.56	4.56
NETHERLANDS		7.000	02/03	102.8900	+0.300	6.58	6.75	6.62
SPAIN		10.300	06/02	97.7591	+0.305	10.70	10.86	11.13
UK GILTS		7.250	03/98	100-28	+1/32	7.04	7.08	7.13
		8.000	06/03	100-20	+7/32	7.91	8.02	8.11
		9.000	10/08	105-31	+11/32	8.30	8.40	8.51
US TREASURY *		6.250	02/03	102-06	+12/32	5.95	6.09	6.02
		7.125	02/23	104-02	+12/32	6.80	6.89	6.94
ECU (French Govt)		8.000	04/03	104.7000	+0.350	7.31	7.52	7.47

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

French yields gain pace on German counterparts

By Peter John

THE latest cut in French short-term interest rates has generated fresh interest in the possibility that long-term rates will finally fall below their German equivalent.

If that happens, the effect on European monetary stability could be profound.

The possibility of a shift is not new. Waiting for French and German long-term bond yields to cross has been like watching sailing ships on the horizon. The two countries' yields have been creeping towards each other since German unification in late 1989 and economists waiting with their telescopes on the shore line are still divided over whether they will collide, pass each other or drift apart.

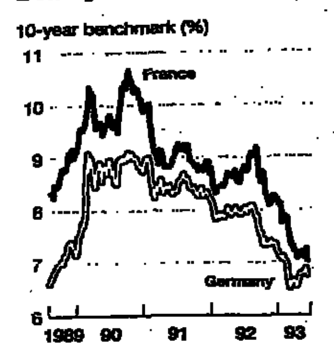
However, the story has gathered pace and credence in the past few months. It built up at the beginning of last week when Mr Hans Tietmeyer, the vice-president of the Bundesbank, said that French interest rates could comfortably drop lower.

It gained a wider audience via Mr George Soros who has acquired the mythic status of a guru having already sent the pound plunging, gold soaring and property shares up.

The international financial speculator popularised what might have seemed a dryly academic argument when he pointed out, in an open letter to The Times, that because the French have lower inflation than Germany and a large savings surplus they are bound to end up with substantially lower long-term interest rates. Afterwards, French bond prices rose sharply.

Yesterday, the French central bank cut its short-term intervention rate by 25 basis points to 7.25 per cent, prompting a sharp rise in 10-year French bond futures on the Matif.

Bond yields



Source: Datastream

Now, some economists say it could be a matter of months rather than years before the two countries' long-term yields cross over. The yield spread between France and Germany has halved over the past months to around 20 basis points. Ms Phyllis Reed, economist with BZW, believes that 10-year OAT yields will fall below bund yields within the next six months.

Already, French short-dated yields are comfortably below their German equivalents – three-month money is at 7.25 per cent while Germany's is at 7.47 per cent – but the position is reversed at the two-year maturity level.

Economists are debating two questions: will a crossover at the long end be sustainable and does it mean the Franc becomes top currency, at least in Europe, replacing the D-mark as the anchor in the ERM?

Ms Reed, though confident about the change, is cautious about the impact. She sees it principally as a signal that other European economies will be able to ease rates independently of Germany rather than following its lead. She feels that although the D-Mark will become a weak currency it will remain as Europe's economic anchor.

Others argue that France is in a different position from Holland which has a 10-year bond yield some 60 basis points below the equivalent German rate. There, the guilder is seen as a surrogate bund without the downside of unification costs. Also, the country's lower inflation figure of 2.3 per cent against Germany's 4.2 per cent makes Dutch bonds more attractive.

At S.G. Warburg, economist Mr George Magnus believes that the yield spread will tighten but cannot come round to the idea of lasting crossover. The narrowing of the spread has, after all, been helped by the post-election honeymoon and Mr Soros. The French economy is far from perfect with unemployment threatening to hit 12 per cent.

He argues that a significant change in French-German official interest rates and bond yields, could have fundamental implications in Europe if it became established.

"If the Germans lose their role of anchor currency in Europe it would cause serious turbulence," he says. "It would be symptomatic of something going seriously wrong in Germany and if that happens the European Monetary System breaks up. If the EMS breaks, the single market goes and if that goes, all hell breaks out."

GMAC's issue price seen as aggressive

By Sara Webb

ATTENTION in the Eurobond market focused on an aggressively-priced deal for General Motors Acceptance Corporation yesterday.

GMAC, which is General Motors' financial services subsidiary, launched a $300m, five-year bond deal with a coupon of 6.25 per cent and priced to yield 105 basis points over the US Treasury bond.

INTERNATIONAL BONDS

Several houses claimed that lead manager Morgan Stanley had priced the deal very aggressively and in the course of the afternoon, the deal traded outside fees at 99.10 and the yield spread was quoted at 117 basis points over Treasuries by a couple of traders.

Some co-managers were seen dumping the bonds, and Morgan Stanley was forced to buy the bonds back to support the deal. However, by late afternoon the price recovered somewhat and Morgan Stanley cited a yield spread of 108-109 basis points.

The only other substantial deal, in an otherwise uneventful day, was a $150m collared floating-rate note for Citicorp. The 12-year deal has a coupon of six-month Libor minus 0.125 per cent (six-month Libor is currently 3.5 per cent), and there is a floor of 6 per cent and a cap of 10 per cent.

Citicorp, rated BAA3/BBB+ on its subordinated debt, last launched a collared FRN in April this year and joins a steady stream of bank names in this particular sector of the market including BankAmerica, Goldman Sachs, Merrill Lynch, and Bankers Trust.

Kidder Peabody, lead manager, said demand was for higher floors. The bonds will be swapped into plain FRNs as the collar portion is detached.

With so little activity in the market, there was some speculation about imminent deals. Osaka Gas is rumoured to be looking at the dollar and sterling sectors, while the European Investment Bank was reported to be looking at the yen bond market.

● The International Swap Dealers Association said yesterday that it plans to change its name to the International Swaps and Derivatives Association, subject to approval from members.

The trade association represents participants in the $4,000bn over-the-counter market in swaps and options.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
General Motors Acceptance Crp.	300	6.25	99.512R	Jul.1998	0.375R	+105(5¾%-98)	Morgan Stanley Intl.
Citicorp‡	150	(a)	100R	Jun.2005	0.625R	-	Kidder Peabody Intl.
D-MARKS							
Council of Europe	250	6.25	101.5	Jan.1996	-	-	BHF Bank
GUILDERS							
Royal Pakhoed	150	7.125	99.75R	Jul.2003	0.35R	+57 (6½%-03)	ABN Amro Bank

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Coupon pays 6-month Libor - 0.125%; minimum 6%, maximum 10%.

Banks lend £80m to property group

By Paul Cheeseright, Midlands Correspondent

LONDON & Cambridge Properties, the privately-owned investment property group based in Dudley, West Midlands, has arranged an £80m loan from a syndicate of eight banks led by Svenska Handelsbanken of Sweden.

Bank financing of property investment on this scale has been rare since the UK market turned down after the increase in values during the 1980s. The equity market has tended to be the main source of funding, through a series of rights issues for companies either strengthening weakened balance sheets or seeking funds for expansion.

It is estimated that there are now only 40 banks willing to lend to property companies, compared with 150 during the 1980s.

Mr John Davis, managing director of LCP, suggested that while banks were wary of property development, some were willing to lend on well-let investment properties.

The LCP loan is for five years.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on June 14

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	48	5	25
Other Fixed Interest	5	1	9
Commercial, Industrial	367	177	856
Financial & Property	260	83	475
Oil & Gas	11	19	53
Plantations	0	0	8
Mines	10	58	71
Others	46	36	44
Totals	747	359	1,541

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

TRADITIONAL OPTIONS

● First Dealings Jun. 14
● Last Dealings Jun. 25
● Last Declarations Sep. 16
● For settlement Sep. 27

3-month call rate indications are shown in Saturday editions.

Calls in BET, Dunhill, Euro Disney, J. Foster, Geest, MTM, Millwall, Ratners, Regalian Props., Serif and Southern Pacific. Puts in NatWest. Bank and Simon Eng. Doubles in Ferranti and United Energy.

FT-SE ACTUARIES INDICES

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices and the FT-SE Actuaries Industry Baskets are calculated by The International Stock Exchange of the United Kingdom and Republic of Ireland Limited. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1993. All rights reserved.

The FT-Actuaries All-Share Index is calculated by The Financial Times Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries. © The Financial Times Limited 1993. All rights reserved.

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices, the FT-SE Actuaries Industry Baskets and the FT-Actuaries All-Share Index are members of the FT-SE Actuaries Share Indices series which are calculated in accordance with a standard set of ground rules established by The Financial Times Limited and London Stock Exchange in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

"FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited.

LIFFE EQUITY OPTIONS

June 14 Total Contracts 24,172
Calls 12,498 Puts 11,674
FT-SE Index Calls 3,750 Puts 4,754
Euro FT-SE Calls 942 Puts 289
*Underlying security price. †Long dated expiry mths.
Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Mon Jun 14	Day's change %	Fri Jun 11	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (26)	127.67	+0.05	128.36	1.93	5.01
2	5-15 years (21)	147.05	+0.13	146.88	2.03	6.27
3	Over 15 years (10)	158.59	+0.27	158.15	2.54	4.40
4	Irredeemables (6)	178.15	+0.24	177.71	1.54	6.36
5	All stocks (63)	143.84	+0.13	143.73	2.10	5.57
	Index-Linked					
6	Up to 5 years (2)	184.87	+0.03	184.81	0.97	1.92
7	Over 5 years (11)	174.06	+0.09	174.12	0.97	2.14
8	All stocks (13)	174.39	+0.09	174.44	0.97	2.12
9	Debs & Loans (84)	129.22	+0.25	128.90	2.43	4.93

AVERAGE GROSS REDEMPTION YIELDS

			Mon Jun 14	Fri Jun 11	Year ago (approx.)
	British Government				
1	Low	5 years	7.10	7.11	8.13
2	Coupons	15 years	7.94	7.97	8.96
3	(0%-7¾%)	20 years	8.15	8.19	8.96
4	Medium	5 years	7.32	7.33	9.20
5	Coupons	15 years	8.32	8.35	9.10
6	(8%-10¾%)	20 years	8.43	8.46	9.08
7	High	5 years	7.52	7.53	9.41
8	Coupons	15 years	8.57	8.60	9.30
9	(11%-)	20 years	8.62	8.65	9.25
10	Irredeemables (Flat Yield)		8.51	8.53	9.21
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs	2.97	2.97	3.88
12	Inflation rate 5%	Over 5 yrs	3.56	3.57	4.32
13	Inflation rate 10%	Up to 5 yrs	2.27	2.27	3.10
14	Inflation rate 10%	Over 5 yrs	3.39	3.40	4.13
15	Debs &	5 years	8.87	8.92	10.51
16	Loans	15 years	9.31	9.36	10.37
17		25 years	9.47	9.49	10.28

COMPANY NEWS: UK

SEC lifts restrictions on Zeneca share deals

By Paul Abrahams and Maggie Urry

UNDERWRITERS of Zeneca's £1.3bn rights issue will be able to trade normally in the shares over the next few days after the US Securities and Exchange Commission changed its decision on restrictions.

The SEC had previously said that underwriters would only be able to trade "passively" in the last five days before the June 21 close, starting today. But this limitation, which had raised fears that the underwriters would not be able to support the share price, has been removed.

However, the SEC has said that the US marketing syndicate, which was seeking buyers for the new shares in Zeneca, the bioscience group demerged from Imperial Chemical Industries this month, had to stop operations as of last night.

The syndicate was satisfying demand for shares by buying nil-paid Zeneca shares in the UK market. The syndicate can still operate outside the US. Zeneca's brokers declined to comment on how successful the US syndicate had been.

News of the SEC's change of heart came after the market closed with Zeneca's shares up 1p to 617p, and the nil-paid down 1p at 17p. The rights issue is priced at 600p.

Zeneca yesterday announced the US Food and Drug Administration had approved Zestril for the treatment of congestive heart failure.

The licence is for those patients not responding adequately to diuretics or digoxin, a medicine extracted from foxgloves.

There are between 2.3m and 3m sufferers from the disease in the US, according to the American Heart Association. Both Merck's Vasotec and Bristol-Myers Squibb's Capoten have already received licences for this indication.

Sales of products based on Zestril were up 31 per cent to £294m last year. The company said growth continued in the first quarter of this year.

Discounts on BT sell-off cut back

By Roland Rudd

THE GOVERNMENT has scaled back incentives for retail investors in the sale of its remaining 21.9 per cent stake in BT.

The public is being offered 10p off the first and second instalments set at 150p and 140p respectively. This compares with 15p off the first two payments in the last government sale of BT shares which were set at 120p and 105p.

SG Warburg, the government's global co-ordinator, said the incentives were less generous to reflect the fall in interest rates since 1991.

Mr Stephen Dorrell, financial secretary to the Treasury, said one of the aims of the offer was to "demystify share dealing" through the use of share shops.

More than 1.8m people have registered for the sale, taking the total, including BT employees and existing shareholders, to more than 4m. However, a number of the 150 share shops have expressed concern that the government is promoting its own share information office at the expense of share shops.

Mr Dorrell said: "Everyone tends to want to see things better than they are ... but the share shops have understated the scale of their own success."

The Treasury has underlined its commitment to competition within the institutional offer in a letter to the the top 500 institutions around the world.

They have been told that the allocation of new BT shares will not be affected by which global manager, including Warburg, through which they choose to deal. The same rule applies to regional managers dealing with all other institutions not on the top 500 list.

In previous privatisations institutions have suffered in allocations if they did not deal through the bookmaker.

The first instalment in the international offer, which will be more than the 150p sought from retail investors, will be announced on June 29. The second and third instalments will be the same for all investors, with the last being determined by the price big investors tender in the international offer.

The minimum application for retail investors will be 120 shares. The incentives are on allocations of up to 1,000 shares or 1,500 if investors opt for the 1-for-15 share bonus after three years.

Close call as discontent grows

Maggie Urry reports as voting time nears on Heron's debt plan

CREDITORS of Heron, Mr Gerald Ronson's property group, have little time left to consider the proposals for restructuring its £1.4bn of debt.

On the face of it, they have a simple choice. Vote in favour of a plan to repay creditors out of asset disposals over several years or see the company go into liquidation. The latter alternative, the 220-page document from the company says, would give creditors significantly less and at a later date.

Yet as the deadline approaches – meetings start in London on June 28 but some proxies and claims had to be in by yesterday – there seems to be a rising tide of discontent among some creditors.

Yesterday First Eastern Developments, a Bermudan based property consulting company, gave details of its concerns, first revealed in an advertisement in the Financial Times last Friday which called on creditors to join together to consider opposing the scheme.

FED is a private group headed by Mr Simon Shane. He ran a UK property group called Equitable Debenture and Assets Corporation, which was sold to British Land in 1965 for £20m. FED claims to be owed $1.7m by Heron, and is an affiliate of Stratagem Development Corporation which is suing Heron in New York.

Mr Shane asserts that creditors do not have enough information to make an informed decision and suggests more information would be forthcoming if the schemes were rejected. He would like to see an up-to-date property valuation, trading results for the year to March 1993, and detailed cashflow projections.

He suspects that there have been intra-group transactions since the last published accounts, for the year to end March 1992, which might have given banks an edge over other creditors.

Even creditors intending to vote in favour of the proposals complain of a lack of information, such as trading results and property valuations, but as one put it, "to some extent you have to believe what Heron and its advisers tell you because it is so complex".

Mr Shane's criticisms follow those of Mr Gary Klesch, a bond dealer who claims to speak for 10 per cent of the bondholders and has also called for rejection of the proposals.

Much has also been made of letters written in mid-May to bondholders by the lead managers to the Swiss franc bond issues. They sent bondholders the Heron document with a covering letter in mid-May. The letter – which put forward the main pros and cons of the deal – drew letters from Mr Ronson to the chairmen of the banks who felt that the banks had been less than fair.

SG Warburg Securities, one of the lead managers, said yesterday that the letters were neutral. "We are in a situation where we should not give advice, submitting an offer on behalf of Heron. It always remains to the investor to make the decision."

However, others note that a letter from Deutsche Bank, which lead a D-Mark bond issue, to its bondholders was "more neutral".

Heron's advisers say that rejection of the schemes would almost inevitably lead swiftly to bankruptcy proceedings. Mr Shane and Mr Klesch think this could be as good, or even better, for creditors. Mr Shane says "insolvency proceedings would ensure administration directed at maximising value for all creditors with freedom from conflicts of interest".

But Heron's advisers say that liquidation would be an extremely complex affair, likely to ignite a volcano of litigation as different classes of creditors fight for their rights.

The problem lies in Heron's complex structure. While the head office division has debt, including all the bonds, of £524m it has assets of only £6m. The UK property division, by contrast, has assets of £465m and debts of £298m. The Spanish part has debt of £90m and assets of £223m.

Liquidation, judging by other recent large cases such as BCCI, could also be a costly process, on top of the £50m Heron has already sunk in restructuring fees.

The schemes need to be approved by 75 per cent of votes cast by value, and by 50 per cent by number of voters. It is looking a closer call than can be comfortable for Heron.

BET pins hopes on final phase of three-year turnround plan

By Richard Gourlay

"TURNING business service companies around is like pushing peas up hill with your nose," said one analyst yesterday after BET reported further provisions, a reduced final dividend and more pre-tax losses for the year to end-March. "It is going to be slow."

Mr John Clark, chief executive, appears to agree. He is banking on the third year of his three-year turnround programme to generate greater profitability from a business that he says will shrink further to about £1.5bn of sales.

According to Mr Clark there is nothing wrong with the markets. The UK business services market is currently worth £40bn and will grow to £60bn by the end of the century. Comparable figures for the US are $800bn and $1,200bn.

The problem is that BET is getting no help from the UK economy, which if no longer deteriorating is not improving at any great rate. "We are seeing much higher utilisation and higher rates [in plant hire]," says Mr Clark. That is the most optimistic he can be about any of his business areas.

The question Mr Clark will have to answer for the markets over the next year is whether there are enough businesses left to allow BET to resume growth.

Last year's divisional figures make sober reading.

The textiles division contributed 24 per cent of trading profits from continuing operations. But sales fell 25 per cent, partly because of deconsolidation of the French business, but also because of lower margins in the UK. There was also a £15m restructuring cost.

As a result textiles – which employs 35,000 of the 100,000 people in the group – accounted for £25m, or 47 per cent of the reduction in trading profit.

The UK accounted for nearly two thirds of textile services. BET described this market as facing "particularly challenging conditions ... in the leisure, retail, hotel and heavy industrial sectors".

Cleaning services produced 15 per cent of profits from continuing operations, but this was sharply lower after "severe pressure" on margins, particularly in new business.

Security services made almost unchanged trading profits – about 14 per cent of group profits – but the division suffered from a decline in military spending. In the UK, where three quarters of the division's sales were generated, the electronic security businesses continued to make good progress, BET said.

Plant services saw sales fall slightly, but pressure on margins again hit trading profits, which fell 18 per cent and were responsible for 11 per cent of the total decrease in group trading profit. Distribution and plant services were also down.

Catering and facilities management, both start-up businesses, showed rapid growth in sales and profits and may hold one of the keys to future growth, according to analysts.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Clyde Blowers, David Lloyd Leisure, London & Clydeside.

Finals- Bradford Property Trust, Channel Hldgs, FKI, IWP International, Manweb, Melville Street Investments, Porter Chadburn, Volex, Wellman, Wessex Water.

FUTURE DATES

Interims-	
Artours	Jun 28
Eurotherm	Jul 6
Gestetner	Jun 23
Soundtracs	Jun 22
Finals-	
Burtonwood Brewery	Jul 8
Chester Waterworks	Jun 16
Creighton's Naturally	Jul 7
Dartmoor Inv Trust	Jun 21
Jurys Hotel	Jul 15
Kembrey	Jun 16
Learmonth & Burchett	Jun 23
Stanley Leisure	Jul 14
Whitecroft	Jun 22

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
BET	fin	1.25	Aug 26	2.25	3.25	6.5
Beverley	fin	nil	-	nil	nil	0.625
Chillington	fin	0.25	July 30	nil	0.25	0.5
E Midlands Elec	fin	13.78	Oct 4	12	19.5	17.1
High Gosforth Pk	fin	nil	-	15	nil	15
Investment Co	fin	1	Aug 18	1	1.5	1.375
Kenwood Apps	fin	4.35	Aug 27	-	5.85	-
M&W	int	1.1	Aug 20	1	-	2.5
Ramco Oil §	fin	1	-	2	1	2
Stratagem	int	1.5	July 15	-	-	4.75
Treatt §	int	1.1	Oct 8	1	-	3.6

Dividends shown pence per share net except where otherwise stated. §USM stock.

Chillington improves to £955,000

Reduced losses in manufacturing and increased profits in tools and trading enabled Chillington Corporation to report pre-tax profits of £955,000 for 1992, against £646,000.

The company has returned to the dividend list with a proposed final of 0.25p. Last year only the interim of 0.5p was paid.

However a provision of £1.27m against possible losses from the closure of the property and investment division left retained losses of £1.28m (£777,000).

Turnover for the company, which also has interests in plantations, was £44.4m (£48.6m). Losses per share came out at 0.2p, compared with 2.4p.

FKI acquisition

FKI is buying the Forge France Group of companies, a French lifting components company, for FFr29m cash (£3.5m). FKI has also agreed to purchase further inventories over the period up to May 1994 at valuation following a stock take.

Alpine directors seek to allay pension fears

By Peggy Hollinger and Catherine Milton

DIRECTORS OF Alpine (Double Glazing), the window company which ceased trading at the end of May, are seeking to allay fears over pension contributions by inviting employees to discuss individual options with a representative of Allied Dunbar, the assurance group.

In a letter received by pension contributors this weekend but dated June 9, Mr Robert Pollock and Mr Robin Speirs, chairman and chief executive of Alpine, cite a meeting to be held yesterday. However, they failed to include either the time or place for the meeting.

The letter also states that "the Allied Dunbar representative has been in discussions with members". It is understood, however, that formal talks with Allied Dunbar broke down several months ago.

"The company has never implemented proposals presented by us some months ago," Allied said.

Mr Pollock and Mr Speirs inform pension contributors that following Alpine's trading difficulties, contributions had been transferred from a "separate trust bank account" to a client account at the company's solicitors, believed to be London firm, Beveridge Ross and Prevezers. The funds would be held pending a decision as to how contributors wished to proceed, the letter states. About £50,000 is in the client account, according to Mr Grant Jones, Alpine's receiver.

The funds had initially been held in a trust account, Mr Pollock and Mr Speirs state in their capacity as trustees, pending resolution of a dispute with ADT Trustees.

Trustees of the pension fund at ADT, the security and car auctions company which previously owned Alpine, had refused to transfer funds in 1992 following Alpine's purchase out of administration with the backing of Mr Clive Smith, the Midlands entrepreneur.

ADT trustees said Alpine had never presented an approved pension plan to which funds could be transferred.

Deferred pensions or individual transfers have since been arranged for eligible Alpine employees.

NEWS DIGEST

Ladbroke interest bill rising

INTEREST COSTS at Ladbroke are continuing to rise, according to Mr Cyril Stein, chairman of the hotels, racing and property group.

Addressing shareholders at yesterday's annual meeting, Mr Stein blamed the rise on high interest rates in Europe, a reduction in interest receivable and the devaluation of sterling.

The group received elections for its enhanced scrip alternative in respect of just over 1bn shares, representing 92 per cent of the equity.

M&W

M&W, the food retailer and wholesaler, reported pre-tax profits of £927,000 for the six months to March 28 – a rise of some 40 per cent on the corresponding £664,000.

Turnover improved to £37.3m (£33.4m). An interim dividend of 1.1p (1p) is payable from earnings of 3.8p (2.8p).

Treatt

Improved gross margins at the main operating subsidiary helped Treatt, the USM-traded essential oil and aromatic chemical group, produce a 13 per cent improvement in interim profits.

Although group turnover dipped to £7.15m (£7.41m) pre-tax profits for the six months to March 31 advanced from £571,000 to £644,000.

Earnings per share emerged at 4.45p (3.94p); the interim dividend goes up from 1p to 1.1p.

Wintrust

Pre-tax profits at Wintrust, the merchant banking group, fell from £3.02m to £2.02m in the year to end-March.

The ratio of loans and advances to capital improved from 1.7:1 to less than 1.4:1 and the capital assets ratio moved from 36 per cent to 42 per cent.

Earnings per share were 11.19p (19.54p) basic and 12.2p (19.16p) fully diluted. The final dividend is 6.3p for an unchanged total of 9.3p.

Ticketing Group

THE Ticketing Group, which operated as a joint venture between Expedier and Wembley until January of this year, when Expedier bought out its partner's 50 per cent holding and changed its name, has announced results for Expedier's last trading year in its previous form.

Expedier had interests in furniture hire, sporting services and a ticket reservation operation.

Pre-tax losses for the year to end-December 1992 amounted to £2.15m, down from £5.37m previously. The retained loss, after extraordinary losses of £11.1m (£4.33m) totalled £13.2m (£9.65m). Loss per share came to 2.4p (11.6p).

The activities of the company are now concentrated on retail ticket sales and event management services through the First Call and Keith Prowse ticket agencies as well as Space Time Systems, the computerised box office system supplier.

Rentokil

Rentokil, the property and environmental services company, has extended its offer for Securiguard, the guarding and cleaning company until June 18.

By the first closing date on Friday, Rentokil had received acceptances representing about 1.35 per cent of Securiguard's shares.

Mr Alan Baldwin, chairman of Securiguard, urged shareholders to continue to reject the offer, which he described as "ridiculously low".

Investment Co

Pre-tax profits at the Investment Company were virtually static at £1.22m over the 12 months to March 31.

A recommended final dividend of 1p makes a total of 1.5p (1.375p), payable from earnings of 2.91p (2.75p) per share.

COMPANY NEWS: UK

Second half recovery helps Kenwood rise 4%

By Angus Foster

KENWOOD APPLIANCES, the household appliance company, yesterday reported slightly higher than expected profits for the year to March 31, the first since the company came to the stock market last July.

Pro forma pre-tax profits, adjusted for the benefits of the flotation, increased 4 per cent from £9.29m to £9.62m. Actual profits, taking into account interest costs of £1.84m, were £8.38m.

After a poor summer, which led to an embarrassing profit warning three months after going public, second half profits recovered strongly helped by sterling's devaluation.

Mr Tim Parker, chief executive, said the UK economy also improved, as had Kenwood's share of overseas markets. "I think all of that's pretty encouraging," he said.

He said sales to continental Europe, which account for about a third of the total, should continue to improve despite mounting recession in Germany and France. Kenwood hoped growth would come from new products, helped by sterling's competitiveness.

Turnover increased 10 per cent to £101.8m, lifted by UK sales of new products like kettles and hair dryers. However, another new product, a water filter, performed poorly despite heavy marketing costs.

One-off costs linked to the flotation and the acquisition in November of Tricom, the Hong Kong-based manufacturer, depressed operating margins slightly. Operating profits increased 7.6 per cent to £10.3m. Kenwood used the £39.5m raised by the flotation to reduce debts and the company moved to net cash of £146,000 by the year end.

Earnings were depressed by a higher tax charge and fell 6 per cent to 17.8p per share. A recommended final dividend of 4.35p makes a total of 5.85p.

● **COMMENT**

The stock market's nerve was strongly tested at the time of the profits warning, but those with strong stomachs have been rewarded and the shares closed yesterday up 10p at a record 321p. Forecast profits this year of £11m put the shares on a multiple approaching 16, already a premium to the market. Kenwood is a quality company with promising new products coming through. The Hong Kong acquisition should allow more manufacturing to be brought in-house, thereby improving margins – although plans to attack the Chinese market should be treated with circumspection. The currency factor should give comfort if a European price war develops later this year. Despite the attractions, Kenwood's short exposure on the public stage suggests investors may prefer to wait for a longer track record before chasing the shares any higher.

Frontera helps IBC Vehicles return to black with £5.2m

By Kevin Done, Motor Industry Correspondent

IBC VEHICLES, the UK-based 60/40 joint venture between General Motors and Isuzu, staged a strong recovery in 1992 with pre-tax profits of £5.2m against losses of £28m in the previous year.

The company, formed in the late 1980s from the former loss-making Bedford van operations in Luton, more than tripled turnover to £426m, compared with £133.7m.

Production was more than doubled to 48,452 (20,932) vehicles as a result of the successful build-up of output of the Opel/Vauxhall Frontera four wheel drive leisure utility vehicle.

The ranges produced by IBC are based on Japanese technology from Isuzu and Suzuki. GM holds minority equity stakes in both companies.

GM has, however, decided to halt production of the Suzuki-derived range of microvans at IBC from the end of June following a collapse in demand.

Production of the small vans has plunged from 21,500 in 1989 to 5,652 last year, and output has been cut to only 1,790 in the first half of this year. Vauxhall sales of the Rascal van in the UK dropped last year to only 2,478 from 8,274 in 1990.

The market for Japanese-designed microvans has shrunk dramatically, and GM is hoping that it can meet residual demand through the forthcoming launch of its new Corsa high-roof van.

As the Rascal is withdrawn other competition is coming into the market, however, with the launch by Daihatsu of its Italian-built Hijet microvan, which is being assembled at a joint venture plant at Pontedera, Tuscany with Piaggio of Italy.

GM is planning to keep the Midi panel van in production at IBC at least until 1995-96, but it is in negotiations with other vanmakers in Europe about collaboration on a new vehicle range to replace the ageing Midi in the second half of the 1990s.

The future of the IBC operation is now tied closely to the production of four wheel drive leisure utility vehicles; output of the Frontera is planned to increase from 31,436 last year to 42-45,000 in 1993.

The company has reached agreement with trade unions for the introduction of a third shift at the plant, if this can be justified by higher demand for the four wheel drive vehicles, which have succeeded so far in defying the steep fall in demand for new cars in western Europe.

Fisons launches asthma drug in US

By Paul Abrahams

FISONS, the healthcare and scientific instruments group, yesterday began marketing Tilade, an asthma treatment, in the US.

"This is Fisons' last throw of the dice to remain a viable pharmaceutical entity," said Mr Paul Woodhouse, drugs analyst at Smith New Court. "They have to make this launch work." Fisons's shares closed up 6¾p at 161¼p.

The company is co-promoting the product with Rhône-Poulenc Rorer and is marketing Tilade with a combined sales force of 800 people.

The groups aim to position the product for those with mild asthma who use a bronchodilator, such as Ventolin, more than three times a week. Whereas bronchodilators help improve symptoms, Tilade is designed to treat the underlying inflammation.

Fisons is co-promoting Azmacourt, RPR's inhaled steroid medicine, which is designed for patients using bronchodilators more than three times a day.

US doctors have been reluctant to prescribe inhaled steroids because of potential side-effects.

"The group has a window of opportunity to establish this drug before safer second-generation inhaled steroids come on the market," says Mr Woodhouse.

Tilade was approved by the Food and Drug Administration in January, but the company waited for the results of a further clinical trial to show the medicine was more effective than Intal, its other asthma treatment. Intal's sales last year were £190m. Tilade's were £26.1m.

First Philippine

Net assets of First Philippine Investment Trust at May 31 were 68.41p per share. Net revenue for the six months to April 30 was £67,571 (£52,540). Earnings were 0.14p (0.11p).

$65m spent on building products and automotive components group

Heywood Williams expands in US

By Paul Taylor

HEYWOOD WILLIAMS, the building materials group which sold a large part of its UK glass business to Pilkington earlier this year for £85m, plans to use some of the proceeds to acquire a specialist building products group in the US.

The Huddersfield-based group is paying $53.25m (£35m) in cash to acquire LaSalle, a US-based distributor of building products and furnishings to the manufactured housing and recreational vehicle markets.

Heywood will also repay up to $11.75m of LaSalle's borrowings on completion.

Mr Ralph Hinchliffe, Heywood's chairman, said the acquisition, which is subject to shareholders' approval at an extraordinary meeting on June 30, represents "an exciting development for the group".

He added: "The company has an impressive management team, is performing extremely well and operates in markets which should show strong long-term growth."

Last year LaSalle reported operating profits of $6.4m, almost double the $3.3m recorded the previous year, on turnover ahead to $117.7m ($98.4m).

Three quarters of its business comes from supplying the fast-growing US market for factory-built housing.

Manufactured housing sales represented about 15 per cent of the overall US housing market last year when 210,000 units worth $5.7bn were sold, a 20 per cent increase over the previous year.

The US recreational vehicle industry also grew by more than 20 per cent in volume terms and was worth an estimated $4.4bn last year.

The planned acquisition will substantially strengthen Heywood's presence in the US providing its existing Creation Windows subsidiary with a nationwide distribution network.

Creation Windows and LaSalle will have a combined annual turnover of more than $200m across a broad range of building and automotive markets.

The acquisition was foreshadowed in March when Heywood sold its UK and Irish glass processing and distribution business to Pilkington.

At the time Mr Hinchliffe said that after paying off debts, the net cash of about £65m would be used to fund acquisitions and expand its remaining businesses.

The deal will leave Heywood with about £25m in cash. Mr Hinchliffe said he expected it would be spent on another acquisition, probably in the UK, by the end of the year.

Ramco slides to £349,000

By Deborah Hargreaves

RAMCO OIL Services saw its pre-tax profits fall to £349,000 in 1992, against £526,000 the year before, when the outcome was boosted by exceptional credits.

At the same time, the company announced it was extending its participation in Azerbaijan to two additional oilfields in conjunction with Pennzoil, the US energy group.

Ramco's turnover increased from £4.11m to £5.43m, reflecting the first full year's results for Ramco Pipeline Services and the impact of overseas contracts in Japan and Norway.

The company's Russian joint venture – Ramco Alnas – which produces electric submersible pumps for the oil industry, made a profit of £272,000 – of which Ramco received £136,000.

Last year the venture sold and installed Alnas pumps in North America, Germany, Russia, North Africa and the Middle East.

In addition, Ramco extended its interests in the former Soviet Union through its participation with Pennzoil in the 1.4bn barrel Gunashli field in the Azerbaijan sector of the Caspian Sea. The company announced yesterday it would be extending this partnership to the Azeri and Chirag fields.

Ramco has also begun work on a new oil and gas development in the Tyumen region of western Siberia in a joint venture with a group of US investors.

The company said its work in Azerbaijan had placed it in a unique position for a company of its size.

Earnings per share dipped to 1.86p, against 2.39p, and the company declared a dividend of 1p – down from 2p.

92% take up for Saatchi rights

By Gary Mead, Marketing Correspondent

SAATCHI AND Saatchi's £73m rights issue was 92 per cent taken up. Directors were "pleasantly surprised" at the relatively high take-up, particularly since more than half of the group's shares are held outside the UK.

The group plans to use £36.5m of the proceeds to reduce bank debt; £19m will go towards acquiring minority interests in European advertising subsidiaries; £10.5m will be used to strengthen the increasingly important media buying businesses; and £7m will be used to invest in new information technology.

The issue was fully underwritten by SG Warburg and UBS. The largest institutional investor is the State of Wisconsin Investment Board, with 8.99 per cent prior to the issue. Saatchi shares dipped 1p to 165p yesterday.

● British Airways announced yesterday that 92 per cent of its 1-for-4 rights issue was taken up by shareholders at 245p a share. The balance was placed by the underwriters at a net premium of 45.418p a share. BA shares closed last night up 2p at 294p.

Drummond £3.4m in the red

OPERATIONAL difficulties arising from the integration of acquisitions and the introduction of new equipment, as well as the effects of recession, were behind a fall into losses at Drummond Group.

The company, which makes fabrics and associated products for the clothing industry, reported a pre-tax deficit of £3.38m after net reorganisation costs of £2.6m in the year to end-March.

The outcome compared with pre-tax profits of £1.14m last time and was struck on turnover down from £48.4m to £45.6m.

Profits at the operating level were £116,000 (£2.03m). However, this comprised profits of £658,000 (£814,000) from discontinued operations. Continuing operations incurred losses of £542,000 against profits of £1.21m.

Losses per share were 22.63p (4.59p earnings). There is no dividend; in 1991-92 a total of 1.5p was paid.

Mr Stefan Simmonds, chairman, said the integration of Crowthers and Courtauld Woollens, and Armatex, the group's man-made fibres division, had taken longer to achieve than expected, while the re-equipping of the worsted operation with modern plant had yet to show results.

The sale of Stroud Riley, the South African subsidiary, to Chargeurs Textiles has now been completed and gross proceeds of £3.7m have been received.

Gearing after the disposal is 66 per cent. In conjunction with the sale, Drummond has secured overdraft facilities untill April 30 1994 on terms which the board considers satisfactory.

LEGAL NOTICES

HERON INTERNATIONAL N.V. (HINV) RESTRUCTURING PROPOSALS

We are creditors of HINV. HINV's Restructuring Proposals do not include such information as a detailed valuation, financial statements for periods after March 1992, a cash flow forecast or Business Plans for all businesses. Information about each Banks' outstanding debt, collateral and the Banks' relative rate of recovery is also not disclosed. The absence of such information makes it difficult for creditors to evaluate the proposal.

If you are a creditor of HINV and wish to participate with others in considering opposing the Scheme now proposed, we would be interested in an exchange of views leading to possible cooperation. In such event please contact our solicitors who are:-

Richards Butler
Beaufort House
15 St. Botolph Street
London EC3A 7EE
England
Tel: 071 247 6555
Fax: 071 247 5091
Ref: DGW

FIRST EASTERN DEVELOPMENTS LIMITED

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 15.06.93: Pool purchase price £/MWh	Final Prices for Trading on 18.05.93: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.09	18.70	18.70
0100	18.09	18.72	18.72
0130	18.09	24.49	27.34
0200	18.09	24.49	27.35
0230	18.09	24.49	27.35
0300	18.09	19.00	19.00
0330	18.07	18.72	18.72
0400	18.07	18.70	18.70
0430	18.07	18.70	18.70
0500	18.07	18.70	18.70
0530	19.62	18.68	18.68
0600	19.62	18.68	18.68
0630	18.09	19.00	19.00
0700	26.09	24.39	27.22
0730	26.09	25.83	28.68
0800	28.22	26.64	29.50
0830	29.06	26.68	29.53
0900	29.51	27.43	30.31
0930	29.80	27.42	30.30
1000	29.98	27.42	30.30
1030	30.02	27.41	30.29
1100	30.39	27.47	30.36
1130	38.70	31.16	34.23
1200	40.24	36.41	39.58
1230	39.83	36.36	39.50
1300	39.16	36.19	39.27
1330	29.65	25.89	28.55
1400	27.64	25.88	28.51
1430	26.94	19.32	19.32
1500	27.49	25.85	28.50
1530	27.57	27.31	30.00
1600	27.81	27.33	30.03
1630	36.03	28.05	30.79
1700	36.28	34.12	37.06
1730	35.83	34.10	37.03
1800	35.19	34.05	36.99
1830	27.06	27.29	30.12
1900	27.03	25.82	28.61
1930	26.09	25.53	28.33
2000	25.49	25.53	28.31
2030	27.02	25.53	28.25
2100	33.00	25.53	28.24
2130	33.00	30.02	32.86
2200	41.82	34.00	36.85
2230	60.86	34.00	36.92
2300	60.86	24.64	27.41
2330	33.00	24.39	27.19
2400	18.81	23.86	26.66

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.
©Energy Settlements and Information Services Limited

MONTEDISON

Notice of a General Meeting of shareholders

Shareholders of Montedison S.p.A. are hereby convened to attend an Ordinary General Meeting of shareholders, to be held at Foro Buonaparte 31, Milan on June 28, 1993 at 10.30 A.M. (first call) and, if needed, on June 29, 1993 (second call), same time and place, in order to discuss and vote upon the following items on the agenda:

1. Reports by the Board of Directors and Statutory Auditors.
2. Accounts for the financial year 1992 and related resolutions, including the total coverage of the 404 billion Lire loss through utilization of reserves.
3. Election of the Board of Directors and determination of the number of its members.

At the General Meeting, moreover, the consolidated Financial Statements at December 31, 1992 will be presented.

Shareholders are entitled to attend the General Meeting if, at least five days prior to the General Meeting (excluding from the computation the day of the Meeting), they have deposited their share certificates at the Company's registered office or at one of the following financial institutions:

In Italy:
Monte Titoli S.p.A. (for certificates deposited with the same), Credito Italiano, Banca Commerciale Italiana, Banca di Roma, Banca Nazionale del Lavoro, Banco di Napoli, Istituto Bancario San Paolo di Torino, Monte dei Paschi di Siena, Banco Ambrosiano Veneto, Banca Mercantile Italiana, Banca Nazionale dell'Agricoltura, Banca Popolare di Bergamo - Credito Varesino, Banca Popolare di Milano, Banca Popolare di Novara, Banco Lariano, Cassa di Risparmio delle Provincie Lombarde, Credito Commerciale, Credito Romagnolo.

Abroad (by appointment of Italian banks according to the law):

In Switzerland:
Société de Banque Suisse - Basel and Zurich, Crédit Suisse - Zurich, Union de Banques Suisses - Zurich, Banca della Svizzera Italiana - Lugano.

In France:
Banque Nationale de Paris - Paris.

In Great Britain:
Morgan Guaranty Trust Co. - London.

In Belgium:
Banque Bruxelles Lambert - Bruxelles.

In Germany:
Deutsche Bank - Dresdner Bank - Frankfurt a/Main.

In the Netherlands:
ABM-AMRO N.V. - Amsterdam and Rotterdam.

In the U.S.A.:
Bank of New York - New York.

On behalf of the Board of Directors
Arturo Ferruzzi
Chairman

The company's financial statements to be approved at the meeting are available, upon request, from the following locations:

- MONTEDISON S.p.A., Foro Buonaparte 31, 20121 Milan, Italy
  Att. Mr. C.C. Scaramelli (tel. 2.6270.5061)
- MONTEDISON USA INC. 1114 Avenue of Americas, New York, N.Y. 10036 (U.S.A.)
  Att. Mrs. B. Alessio (tel. 212.997.7000).

Procedure to be followed by foreign shareholders:

(A) Shareholders wishing to attend must request in writing or by telex that the bank where their shares are deposited issue an admission ticket, if that bank is one of Montedison's above-listed depositary banks; if the bank where their shares are deposited is not one of Montedison's depositary banks, they must request that bank to contact one of the depositary banks so that an admission ticket can be issued. All admission tickets must be issued at least five days before the General Meeting.

(B) Shareholders wishing to vote by proxy may appoint a proxy only after depositing their shares and receiving the admission ticket in accordance with the procedures described in (A), above. Proxies are to be in writing and cannot be issued to: banks, members of the Board of Directors, Statutory Auditors and employees of Montedison and its subsidiaries.

Please Note: Shareholders may contact the foreign branches of the above-listed Italian depositary banks to expedite these procedures.

Montedison S.p.A. - Registered Office in Milan at Foro Buonaparte, 31
Share Capital Lit. 2.916.788.109.000 fully paid
Court of Milan - Register of Companies no. 310653/7795/3
Tax identification no. 05114510158

Airtours buys Hogg Robinson retail side

By Richard Gourlay

AIRTOURS, the UK tour operator that narrowly failed to acquire rival Owners Abroad earlier this year, is to pay £25m for the retail business of Hogg Robinson.

Added to the Pickfords travel agencies bought last September, the 214 Hogg Robinson branches will give Airtours 550 outlets, second only to Lunn Poly in the UK.

Airtours expects at least £5m of benefits in the first full year. This will be derived from increased commissions charged to tour operators and from the introduction of Hogg Robinson's foreign exchange facilities throughout the Pickfords branches.

The purchase continues the process of Airtours becoming a vertically integrated company within the holiday industry. Had Airtours successfully bid for Owners Abroad, the group would still have expanded its retail chain.

Airtours raised £49.5m through the issue of convertible shares at the time of the failed bid. With interest rates at current levels, the deal would immediately enhance earnings per share, said Mr Harry Coe, finance director.

Airtours has use of the Hogg Robinson and Pickfords names until 1995 and is therefore expected to change the name of the entire chain.

Lunn Poly has about 20 per cent of the market; Pickfords and Hogg Robinson Leisure will have about 12 per cent, ahead of Thomas Cook with 8 per cent.

Mr Coe said that Pickfords' commissions were on average one percentage point higher than at Hogg Robinson and would be increased.

Hogg Robinson also came with a highly developed information technology system. As a result Airtours would not need to spend so much upgrading the Pickfords systems. The total systems cost was now expected to be no more than £2.5m.

Airtours share price rose 5p to 323p.

Beverley at £63,000 after reconstruction

BEVERLEY Group, the engineering concern formerly known as Petrocon, reported pre-tax profits of £63,000 for 1992 against losses of £2.57m. Turnover was ahead 5 per cent at £19.3m, against £18.3m.

During the period the company failed to acquire James Wilkes in a hostile bid and underwent a capital reconstruction. Receivers were appointed to the Clydebank Engineering offshoot and Gorseline has since been sold.

Mr Colin Robinson, chairman and chief executive, said that manufacturing division was trading satisfactorily with quotation activity at record levels.

Extraordinary charges of £339,000 (£2.15m), related to a payment under an on-demand performance bond, losses on the sale of Gorseline and costs incurred in the Wilkes bid. Retained losses were £73,000 (£4.52m).

The final is passed. An interim of 0.625p was the only dividend in the previous year.

Placing to raise £15m will value Metrotect at £26m

By Peter Pearse

METROTECT Industries yesterday revealed plans to raise the maximum £15m allowed through a Stock Exchange flotation which will take place later in June by way of a placing of ordinary shares.

This will value the company at about £26m.

Metrotect, which manufactures and supplies plasticised materials and products to protect underground and underwater pipelines carrying mainly oil, gas and water, also announced sharply higher profits for the year to March 31. On turnover almost doubled to £22.6m (£11.4m), pre-tax profits rose from £679,000 to £2.27m.

Of the £15m, some £8.25m will be from the sale of stakes held by existing shareholders. These include the management and 3i and County NatWest Ventures, which backed the management buy-out from BPB Industries in April 1990.

The management team – which numbers 11 people, led by Mr Brian Thomas, and is unchanged since the MBO – is selling one third of its collective holding.

The balance of £6.75m will be used to repay debt and to rationalise and simplify the share structure into one class of ordinary. This will leave the company with about £1m net cash, which will go towards working capital requirements.

Panmure Gordon, the stockbroker, has issued the pathfinder prospectus.

Metrotect said that overseas markets accounted for about 90 per cent of its sales.

The directors said the order book was encouraging. A contract has just been won to provide coating materials for 540 miles of pipeline from Hainan Island to Hong Kong.

Armed with a recipe for healthy growth

Baxters of Speyside has expanded rapidly in recent years: James Buxton reports

A SHAGGY Highland calf dozes in the sunshine. The river Spey sparkles blue in the distance. Piped bagpipe music rings out from loudspeakers as visitors trickle from a restaurant into a row of shops, one of them a restored 19th century grocery.

All this is happening outside the production plant of Baxters of Speyside, maker of high quality soups and preserves, near the little town of Fochabers in Morayshire, north-east Scotland. The visitor centre, which gives 180,000 people a year a free tour of the factory, followed by a chance to buy cans of soup and jars of jam, is a key part of the company's marketing effort.

"The visitor centre makes them remember Baxters' products," says Ms Audrey Baxter, the family-owned company's managing director. "It is also a £1m business in its own right."

Baxters has expanded rapidly in recent years: its sales doubled from £18m in 1987 to about £35m last year, and Ms Baxter expects them to double again in the next five years. It employs about 650 people.

Though the company is still a relatively small food producer it has established a niche for its range of premium foods in the ruthlessly competitive UK food retailing sector. Its products are sold by all eight of the big supermarket chains, which account for 70 to 80 per cent of the UK food market, and it quotes independent research showing that it makes the UK's top selling brands of premium soups, branded jams and some other products.

Baxters of Speyside has been a famous name in soups since shortly after the second world war when Mr Gordon Baxter, Ms Baxter's father, developed a business, founded in 1868 by his grandfather.

Gordon Baxter had a talent for marketing, and his wife, Ena, devised some of the company's most successful recipes such as its Royal Game Soup.

Last summer Gordon Baxter, now 75, handed over as managing director to his daughter, remaining chairman. (His two sons also have senior posts in the business). Audrey Baxter, who is married to a local businessman, joined the company in 1987 after working for Kleinwort Benson in London.

"This business has taken off in the past six years," Ms Baxter says. Until her arrival, she says, it was "run on instinct." She drew up the company's first three year plan "so that everyone knew where they were going," and took charge of marketing, later becoming commercial director.

The polarisation of the food market over the past eight years with its concentration in the hands of a small number of retail groups has presented big opportunities to any food manufacturer who can command shelf space. Ms Baxter says that Baxters has been able to achieve this partly because its brands command premium prices which "deliver profitability for the retailer."

Audrey Baxter: the company's greatest asset is its brand

"The two forces which drive us," she says, "are marketing and innovation." Baxters' greatest asset is its brand, which is nurtured through editorial coverage, especially in women's magazines. Baxters advertises nationally on TV and has an annual advertising budget of £2m. It exploits its base in rural Scotland and benefits from the trend towards healthy food.

As for innovation, Baxters' chefs are continually developing new products to satisfy the supermarket chains. The company offers vegetarian soups, and will launch fresh soups sold in cartons in September. The drive is to attract younger consumers, after the company found that many of its customers, who are predominantly in the ABC1 social group, were aged between 45 and 60.

Baxters has rationalised its exports, which account for about 15 per cent of turnover. Instead of exporting to about 60 countries and "diluting our efforts," according to Ms Baxter, it now concentrates on six main markets, led by Ireland, North America and Germany.

Baxters maintains contact with the big retailers on two levels. The family handles dealings with their top executives – Gordon Baxter may invite them to salmon fishing on the Spey. Detailed operations with retailers in England are handled by Food Brokers, a sales company, but this will end in November when Baxters introduces its own 14-person sales force. It already has its own sales force in Scotland.

One threat to Baxters is that retailers, envious of the margins the brand can command, will increasingly challenge it with their own products under their labels. Ms Baxter says that Baxters already does own label manufacturing for unnamed retailers but says this accounts for less than 15 per cent of turnover.

"I don't regard own label products as a threat to us, they're just competition," she says. The other challenge is to continue successfully repeating the formula of marketing and innovation.

Though profit figures for the whole group are not readily available, Baxters of Speyside, the main subsidiary, made an operating profit of £3m on sales of £29.2m in the year to May 1992, a margin which food analysts say is good by industry standards.

Baxters is 98.6 per cent owned by the Baxter family, who were recently said by the Sunday Times to be worth £60m, based on a notional valuation of the company.

"We have no debt at the moment, and as a family-owned company we can plough much more of our cash back into the business than a quoted company," says Ms Baxter. Expansion, she says, should be funded internally.

The issue of whether the company might be taken over has been developed into part of Baxters' marketing mystique. So far it has refused 172 takeover offers and Gordon Baxter says his reply to persistent suitors is: "I'll leave a note for my executors to contact you if there is a change of mind."

Stratagem to retain Firstpoint subsidiary

By Nigel Clark

STRATAGEM GROUP, the investment holding company, has ended talks on the disposal of its Firstpoint computer maintenance company.

The group said that a number of companies had expressed interest in buying Firstpoint, but in view of the improving results it was to be retained. Its figures are now to be consolidated from March 1.

Stratagem reported the decision along with its figures for the six months to February 28 when pre-tax profits were £272,000 (£221,000 losses).

Firstpoint, which was not consolidated because of the talks, showed profits of £588,000 (£526,000) before tax and management charges, which totalled £300,000 and were included in Stratagem's other income of £621,000 (£594,000). Stratagem also had a surplus on disposal of investments this time of £69,000.

Earnings per share were 2.2p (3p losses) and the company has begun paying interim dividends with a payment of 1.5p.

Stratagem also said it was changing its brokers from Kleinwort Benson Securities to Panmure Gordon. Mr Bernard Kerrison, chairman and chief executive, said the move was intended to improve the marketability of the shares as Panmure was geared more towards smaller companies.

Millwall in cash injection talks

Millwall Holdings, the holding company of the First Division football club, said yesterday that it was involved in preliminary discussions concerning a cash injection.

The USM-quoted group raised some £3.2m via a rights issue in April to ensure completion of a new stadium at Senegal Fields, south London.

The shares rose 1p to 5¾p.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, June 14, 1993. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	64.9754	40.0201	61.838
Albania	(Lek)	167.97	109.964	67.7298	104.654
Algeria	(Dinar)	34.4033	22.5225	13.8722	21.435
Andorra	(Fr Fr)	8.3400	5.4599	3.3629	5.1962
	(Sp Peseta)	189.90	124.321	76.5725	118.318
Angola	(New Kwanza)	6192.90	4054.27	2497.14	3858.5
Antigua	(E Carr $)	4.1229	2.6991	1.6624	2.5687
Argentina	(Peso)	1.5258	0.9988	0.6152	0.9506
Aruba	(Florin)	2.7333	1.7893	1.1021	1.7029
Australia	(Aus $)	2.2610	1.4801	0.9116	1.4087
Austria	(Schilling)	17.455	11.4271	7.0383	10.8753
Azores	(Port Escudo)	236.00	154.501	95.1612	147.04
Bahamas	(Bahama $)	1.5275	1	0.6159	0.9517
Bahrain	(Dinar)	0.5753	0.3766	0.2319	0.3584
Balearic Is	(Sp Peseta)	189.90	124.321	76.5725	118.318
Bangladesh	(Taka)	60.7136	39.747	24.4812	37.8277
Barbados	(Barb $)	3.0713	2.0106	1.2384	1.9135
Belgium	(Belg Fr)	51.00	33.3878	20.5645	31.7757
Belize	(B $)	3.0540	1.9993	1.2314	1.9028
Benin	(CFA Fr)	417.00	272.995	168.145	259.813
Bermuda	(Bermudian $)	1.5275	1	0.6159	0.9517
Bhutan	(Ngultrum)	47.8108	31.3	19.2785	29.7888
Bolivia	(Boliviano)	6.4821	4.2436	2.6137	4.0386
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Pacific Is	(CFP Fr)	149.75	98.036	60.383	93.3021
Gabon	(CFA Fr)	417.00	272.995	168.145	259.813

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Gambia	(Dalasi)	12.9795	8.4972	5.2336	8.0869
Germany	(D-Mark)	2.4800	1.6235	1	1.5451
Ghana	(Cedi)	945.00	618.658	381.048	588.785
Gibraltar	(Gib £)	1.00	0.6546	0.4032	0.623
Greece	(Drachma)	337.945	221.241	136.268	210.558
Greenland	(Danish Krone)	9.4775	6.2045	3.8215	5.9049
Grenada	(E Carr $)	4.1229	2.6991	1.6624	2.5687
Guadeloupe	(Local Fr)	8.3400	5.4599	3.3629	5.1962
Guam	(US $)	1.5275	1	0.6159	0.9517
Guatemala	(Quetzal)	8.5846	5.62	3.4615	5.3486
Guinea	(Fr)	1240.37	812.026	500.149	772.816
Guinea-Bissau	(Peso)	7635.00	4998.36	3078.63	4757.01
Guyana	(Guyanese $)	192.40	125.957	77.5806	119.875
Haiti	(Gourde)	18.3240	11.996	7.3887	11.4168
Honduras	(Lempira)	9.4140	6.163	3.7959	5.8654
Hong Kong	(HK $)	11.8208	7.7386	4.7664	7.3649
Hungary	(Forint)	137.7812	90.2004	55.5569	85.8449
Iceland	(Icelandic Krona)	97.22	63.6464	39.2016	60.5732
India	(Indian Rupee)	47.8108	31.3	19.2785	29.7888
Indonesia	(Rupiah)	3178.875	2081.1	1281.8	1980.61
Iran	(Rial)	2475.00	1620.29	997.984	1542.06
Iraq	(Iraqi Dinar)	0.5936	0.3886	0.2393	0.3698
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oman	(Rial Omani)	0.5877	0.3847	0.2369	0.3661

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	40.9946	26.8413	16.4091	25.3548
Panama	(Balboa)	1.5275	1	0.6159	0.9517
Papua New Guinea	(Kina)	1.4933	0.9776	0.6021	0.9304
Paraguay	(Guarani)	2644.78	1731.43	1066.44	1647.83
Peru	(New Sol)	3.0200	1.977	1.2177	1.8816
Philippines	(Peso)	40.89	26.8382	16.4072	25.352
Pitcairn Is	(£ Sterling)	1.00	0.6546	0.4032	0.623
	(NZ $)	2.8160	1.8435	1.1354	1.7545
Poland	(Zloty)	26333.00	17239.3	10618.1	16406.9
Portugal	(Escudo)	236.00	154.501	95.1612	147.04
Puerto Rico	(US $)	1.5275	1	0.6159	0.9517
Qatar	(Riyal)	5.5601	3.64	2.2419	3.4642
Reunion Is. de la	(F Fr)	8.3400	5.4599	3.3629	5.1962
Romania	(Leu)	1019.76	667.601	411.194	635.384
Rwanda	(Fr)	216.25	141.571	87.1975	134.735
St Christopher	(E Carr $)	4.1229	2.6991	1.6624	2.5687
St Helena	(£)	1.00	0.6546	0.4032	0.623
St Lucia	(E Carr $)	4.1229	2.6991	1.6624	2.5687
St Pierre	(French Fr)	8.3400	5.4599	3.3629	5.1962
St Vincent	(E Carr $)	4.1229	2.6991	1.6624	2.5687
San Marino	(Italian Lira)	2256.00	1476.92	909.677	1405.61
Sao Tome	(Dobra)	366.48	239.921	147.774	228.336
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zaire Rep	(Zaire)	5125250.0	3356319	2066633	3193302
Zambia	(Kwacha)	838.85	549.82	338.649	523.271
Zimbabwe	($)	9.7194	6.3629	3.9191	6.0557

Special Drawing Rights June 11, 1993 United Kingdom £0.928230 United States $1.41880 Germany D Mark 2.31293 Japan Yen150.464
European Currency Unit Rates June 14, 1993 United Kingdom £0.788559 United States $1.20452 Germany D Mark 1.95534 Japan Yen128.897

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate; ‡ CIS applies to states in the Rouble Zone.
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Monday June 14, 1993

FINANCIAL TIMES SURVEY

RETAIL CHAIN MANAGEMENT

Tuesday June 15 1993

A new price-sensitive and more sophisticated consumer is emerging in the 1990s, writes **Neil Buckley**. Faced also with increased competition from new shopping formats, retailers are investing in sophisticated new distribution and sales analysis systems

Customers call the tune

RETAILING might be the world's second-oldest profession, but it has become a sophisticated business. As John Beaumont, chief executive of the UK's Institute of Grocery Distribution, puts it: "For the retailer, the business is no longer about selling what you buy, but about buying what you sell."

The days are gone when retailers did the best deals they could with manufacturers, and then hoped customers would buy what they had to offer. The wide choice of products now available – with too much floorspace chasing too little business in many markets – means customers call the tune. If they cannot get what they want at the price they want, accompanied by the level of service they require, in one shop, they will take their business somewhere else.

Customer-led retailing is one of the trends underpinning the way the sector operates. But there is another important factor: many UK retailers believe a new price sensitivity and sophistication among consumers will make the 1990s a very different decade from the high-spending 1980s.

The increase in consumer awareness is said to result from the longest and deepest recession experienced in Britain and much of the rest of Europe since the second world war and has left some deep scars on consumers, now more cautious and thrifty about what they buy and where they buy it. And the more cautious consumer is expected to survive the recession.

Many retailers believe the pattern of shopping in Britain over Christmas and New Year is evidence of this.

Shoppers last year left gift-buying to the last possible moment, hoping for dramatic price reductions. Then in January they descended on the sales in droves to make other purchases that they had delayed for months previous in the pursuit of bargains.

All this is bad news for retailers. The recession has made recent years' trading tough enough.

And a whole cadre of UK chains, including Asda, Burton, Storehouse, Next and Laura Ashley, have additional problems of their own, brought about by over-expansion, over-borrowing or other strategic mistakes during the consumer boom of the late 1980s.

Even though these chains are now turning the corner, and the UK economy is showing the first, faltering signs of recovery, the outlook for retailers is tougher than they may have hoped.

"My view is the high margins that UK retailers have secured in the past are not sustainable," says Jim Hodkinson, international development director at Kingfisher, one of the UK's largest retailing groups.

"The consumer still wants the choice, the range and the service, but at the same time he wants to know when he goes into a store that he is going to get a good price. He wants to shop with confidence."

Moreover, the new price consciousness among consumers has coincided with, and will be sharpened by, the rapid growth of the discount retailers.

Discounters aim to cut costs down to the bone, often by selling limited product ranges from no-frills stores in secondary locations, and limiting their investments in technology to the bare essentials. They compete by keeping margins and prices as low as possible and make their money by shifting large volumes of goods.

New discount formats from the US are now being imported into Europe, and Mr Hodkinson believes they will threaten not just UK retailers' margins, but even the lower margins common across continental Europe.

Europe has already witnessed a massive growth in discount food retailing, with chains such as Germany's Aldi, Denmark's Netto and France's Ed all successfully expanding outside their home markets.

But, as a recent report by Verdict, the UK retail market research company predicts, discounting is likely to be a main force not just in the food sector but in other retail sectors such as clothing, electricals and the variety stores.

Hypermarkets, selling a wide range of goods at very low prices, are already well-established throughout France and are spreading into other markets such as Spain.

But they will soon be joined by the new arrivals from the US, which include warehouse clubs selling between 3,000 and 4,000 lines from baked beans to car tyres in no-frills environments from enormous sheds.

Then there are factory outlet complexes, which group together stores selling manufacturers' excess production and end-of-season products at discount prices. Another group is the so-called "category killers", efficient specialist retailers, selling from edge-of-town superstores. Category killers aim to kill off the competition in their particular product sector by offering greater choice and low prices.

Price competition with other formats poses a significant management challenge to the large established retailers. If they are to continue to offer the advantages of choice, quality, convenience, and a more amenable shopping environment, while remaining competitive on price, they must achieve the maximum efficiency at every point along the supply chain, and squeeze the most out of their substantial investments in technology.

Many large chains have already set up centralised distribution networks, where manufacturers deliver goods to regional warehouses rather than to individual stores. Final distribution is carried out by the retailer or a third party contractor. Retailers who have not taken this route will likely follow suit to enhance their competitive edge.

Most large chains are now using scanning technology at the check-out. And many link this system to computer systems which automatically re-order goods as they are sold.

But it is finding other ways of exploiting to the full the potential of that sales information that will be key to success.

One important application of the information is in direct product profitability analysis – calculating the contribution to profitability of each product in a store, taking into account transport and storage costs and other overheads connected with that product.

The idea of DPP is to optimise the return on each product by determining its space allocation according to its profitability.

Most retailers use DPP analysis in some way, but it is already being replaced as the buzzword for the 1990s by "category management".

This involves dividing a store's products into different categories (a large grocery superstore may have 400 or more categories) and managing each of those categories like small businesses.

DPP, market research and other information is then used to decide the correct mix of brands – and what shelf space to allot to each brand – on a store-by-store basis. This process is said to maximise the profitability of the overall category and at the same time meet customers' demands.

As Safeway, one UK grocery chain which is introducing category management, puts it: "The most important objective is to focus on customers at the store level, which will yield improved financial results."

A vital ingredient in category management is the sharing of information between manufacturers and retailers – something which may alter the relationship between the two during the 1990s.

But many manufacturers are still reluctant to give away too many of their secrets to what they perceive as the "other side".

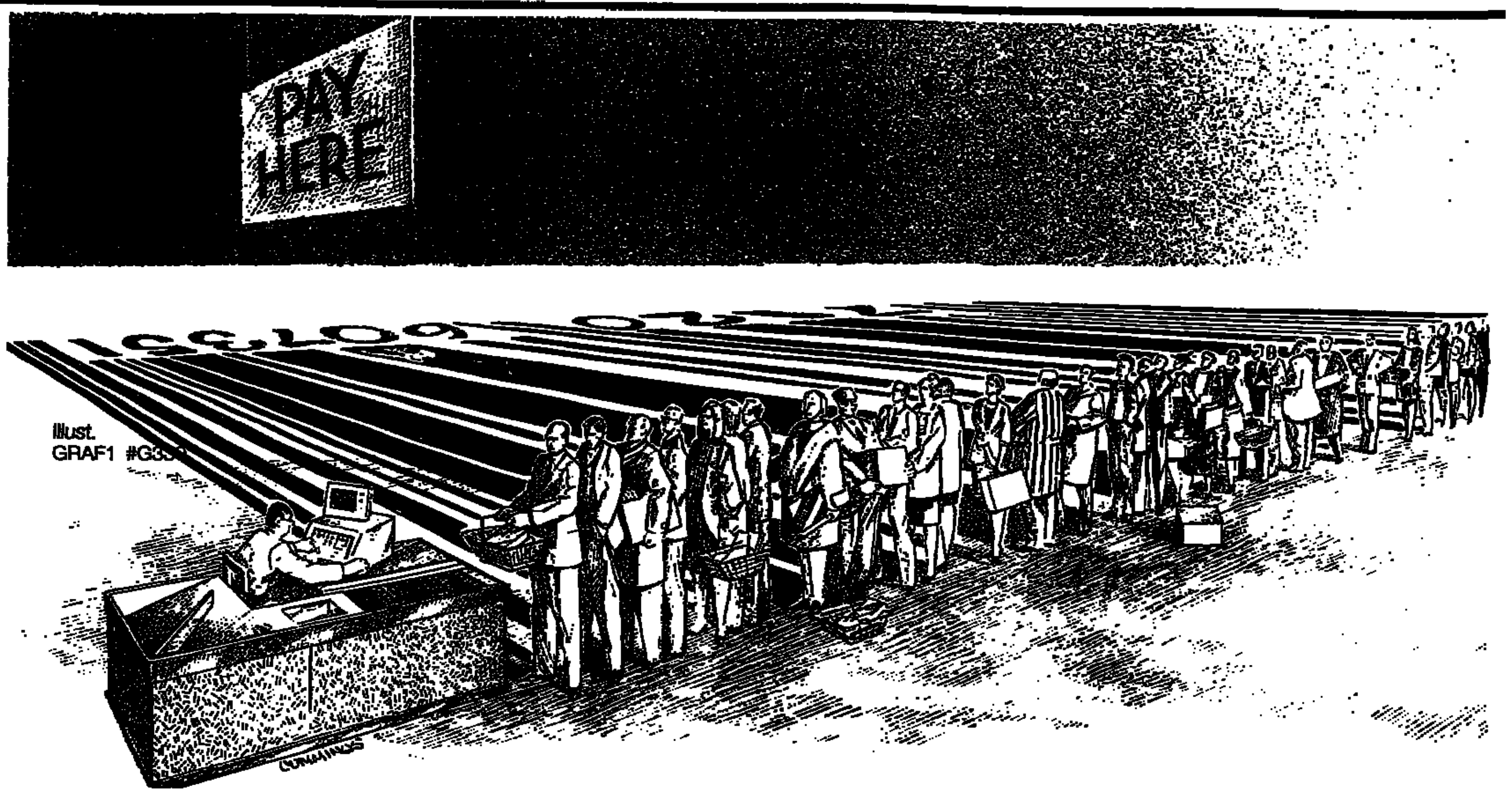
But getting the most out of category management means that the two must work together, because the manufacturers still know more about their category than the retailers do, and retailers know more about their stores and customers.

Another major challenge for retailers, as their home markets become increasingly competitive and approach saturation, will be to find new opportunities, either through diversification, or by exporting their format into a new market.

Despite the difficulties, the pace of cross-border expansion and the formation of international retailing alliances is quickening.

Corporate Intelligence Group, the market researchers, says it has identified more than 60 US retailers which are planning to expand into Europe, and the movement is unlikely to be all one-way.

Large European retailers, meanwhile, are spending increasing amounts of time investigating other European markets. The 1990s may be the decade when retailing becomes a truly international business.



Waiting game: bar codes may soon mean unmanned check-outs where customers pass their purchases through a scanner and insert payment cards in a machine Illustration: Joe Cummings

John Kavanagh looks at the latest information technology available to supermarkets

On the way to unmanned check-outs

CUSTOMERS passing through a check-out at most big supermarkets spark off a chain of stock-taking, ordering, invoicing and payment activities in which they and the check-out operator are the only human elements. Many retail industry specialists believe that in the next decade the human element could be reduced to the customers. Ultimately even their physical involvement could be eliminated.

Computer technology and the trading information it provides have helped make some of the most advanced users – Marks and Spencer, J Sainsbury, Tesco and Safeway – the top four retailers in terms of operating profit per square foot of shop floor space.

Tesco, for example, captures data about sales of individual items as those sales are made. Scanners at check-outs and other sales points record the data from bar codes. Overnight a central computer telephones each store computer to collect the day's data. This brings stock files up to date and computer programs then decide whether new orders are needed. Programs also work out the deliveries needed the next day by each store.

All the leading chains now use electronic data interchange (EDI): the exchange of business documents such as orders and invoices over telecommunications lines between computers.

Tesco, an EDI pioneer, now trades electronically with more than 1,200 companies of all sizes, representing more than 95 per cent of products on its shelves. Half these suppliers send their invoices to Tesco by EDI. Tesco has also used EDI to forge close business relationships with a quarter of them, sending 13-week sales forecasts to help them schedule production and reduce stocks – thus keeping their own costs and prices down.

The benefits over the past six years have been so great that Tesco no longer measures them against the costs.

"We've reduced stock levels yet improved stock availability and sales; cut lead times on orders; cut administration; and improved communication with our suppliers," says Mr Dave MacInnis, stock management director.

"The EDI costs are absolutely negligible. They are covered by our savings on the phone, fax and mail. That means we have all the business benefits for nothing."

The daily gathering of sales data on each store means orders can be placed on Tesco's eight warehouses as close as possible to the time the items will be sold. Supermarkets therefore need only minimal stocks, so they have more space for sales shelves.

All this is made possible by the simple gathering of data at the check-out.

The next step for retailers could be to eliminate the people who operate the bar code scanners and let the customers unwittingly become unpaid data entry operators.

MUM's the word: an electronic catalogue system at Sears' Pride & Joy shops

This is already happening in unmanned petrol filling stations in parts of the US and Scandinavia. The system accepts a card and switches on the pump. It records the account details and the amount of fuel taken, thus capturing both payment and stock control data.

Such schemes have raised interest in the idea of unmanned check-outs in supermarkets, with customers inserting money or payment cards in a machine and passing their purchases through a scanner.

Unmanned check-outs are still very much in their infancy, with only a handful of pilot trials in the US.

The ultimate step would be to remove not only the check-out operators from the shops but also the customers. They would shop from home using computer terminals, typically based on the family television set equipped with a keyboard and connected over the domestic telephone line to a retailer's computer. Systems based on videotex systems such as the UK's Prestel have been set up but they have not had mass audiences.

Neither shoppers nor retailers really want home shopping, according to Tony Naudi, a consultant at Martec International, a retail industry research, consultancy and training firm based in Taunton.

"The technology is there but trials have never got anywhere," he says. "People like going to the shops and handling the goods. More important, retailers want them in the shops: a large percentage of items are bought on impulse, so the more a retailer can get customers to handle his goods, the more chance he has of selling them.

"In addition, the proportion of older people is increasing and for many going shopping and mixing with other people is one of their few sources of companionship."

A compromise between going shopping and using home shopping technology is starting to emerge.

The development of multimedia systems, combining text, video and sound on a personal computer, has seen the introduction of units which customers use themselves, typically by touching the screen to call up information. This might include details of products on show in the store or which can be ordered, or information about warranties, special offers and credit facilities.

The Sears chain is a pioneer in this field in the UK. Seven of its nine new Pride & Joy stores for expectant mothers are equipped with IBM PS/2 personal computers with touch-sensitive screens which act as electronic catalogues. Many products are physically on display, so customers can see and handle them, but the multimedia catalogues enable stores to show and describe big items such as nursery furniture in strongly promotional ways without needing expensive floor space: each store is no more than 2,000 square feet. The terminals also advise on things such as what to take to hospital and how to decorate a nursery.

The technology is available today for all these possibilities. But there is no clear picture yet of what – if anything – will replace the daily social visit to the corner shop, the weekly trip to the supermarket or the family outing to the furniture superstore.

"There are many projects going on and retailers are interested in anything that helps part consumers from their money," says Tony Naudi at Martec International. "But retailers are very hard-nosed business people: unless something increases sales, they will not take it up, no matter how clever the technology might be."

DISTRIBUTION

A fresh direction in logistics

DISTRIBUTION and the broader function of logistics are now firmly established as a critical area of retail chain management.

In fact, claims Mr Angus Clark, systems and distribution director of food retailer J Sainsbury, "a policy for logistics is clearly a prerequisite for building a retail business in any sector of the market today." Retailer-led logistics development over the past decade has, in turn, put great pressure on manufacturers.

"To do business with retailers now, manufacturers not only have to have the right product, best quality and competitive prices, they also have to be able to respond quickly to customers' requirements and provide sound levels of service," says Mr Clark.

Many UK retail industry distribution systems, particularly in the food retailing sector, are enormous operations. Sainsbury's, for example, processes products from more than 1,000 suppliers through 20 depot locations. Some 1,000 lorries distribute 11m cases a week to 335 stores. Within this network, there are more than 17,000 commodities and more than 65,000 individual stocking points. "The longest lead time for meeting orders from the stores is 48 hours. But over 80 per cent of the volume is delivered within 24 hours of it being ordered. The supply chain now operates 24 hours a day, 364 days a year," Mr Clark said at a recent seminar run by distribution company Exel Logistics.

Centralised distribution has involved heavy investment by retailers

The biggest change in retail sector logistics over the past couple of decades has been the move to centralised distribution centres. In the case of food retail, those centres are often centres which can handle temperature-controlled products and ambient temperature goods.

Previously, manufacturers tended to deliver direct to the local depots or even the stores of their retail sector customers. Such operations were known as "push" systems – driven by the suppliers. Now, manufacturers' deliveries are increasingly made into a central distribution point run by the retailer or a contractor working on behalf of the retailer. The retailer, and the contractor when employed, controls the final distribution through to the stores.

The establishment of centralised distribution networks has involved heavy investment by retailers and their distribution service contractors. Much of that investment has been phased in but some companies have opted – or been forced to opt – for more dramatic change. ASDA Stores, for example, developed a centralised distribution system at the start of the 1990s costing £170m over two years. Six fully composite centres were built and commissioned, together with a slow moving ambient centre and a transhipment operation.

Who is best-placed to run the retail industry's distribution systems is still being debated.

Some retailers have opted to bring back in-house parts of those operations which have for some time been contracted out to third party specialists.

Other retailers, though, are heading in the opposite direction and seeking to establish closer, wider-ranging partnerships with distribution service providers.

Such developments are confirmed by the Research Services Department of the Institute of Grocery Distribution in a 1991 study focusing on the involvement of third party specialists in the distribution operations of leading multiple stores. According to IGD, third party penetration of leading stores ranged from 35-45 per cent for ASDA, J Sainsbury and Tesco and 60-65 per cent for CRS, Gateway and Safeway, to 85-95 per cent for Iceland, Kwik Save and CWS, and 100 per cent for Wm Low and Grandways.

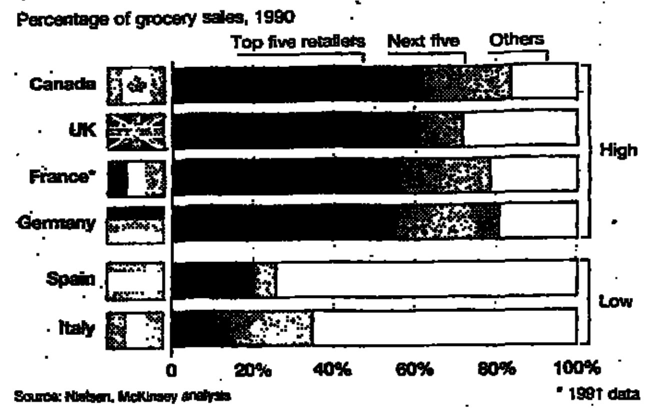
While the debate continues on handling distribution in-house or contracting out, retail industry observers agree other trends will continue to be influential.

In the words of Mr Irving Nixon, managing director of Worldwide Chain Store Systems International, in a paper presented at an IGD conference in London earlier this year: "Central distribution will continue, with fewer, larger units delivering more frequently to stores with full vehicle loads. And retailers' systems will continue to be further integrated to embrace all products in the store, from the warehouse right back to the supplier."

Philip Hastings

Retail concentration by country

Percentage of grocery sales, 1990

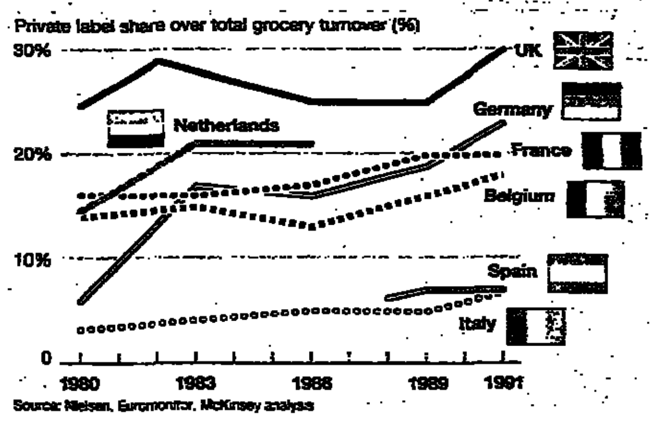


Source: Nielsen, McKinsey analysis

* 1991 data

Share evolution of private label in Europe

Private label share over total grocery turnover (%)



Source: Nielsen, Euromonitor, McKinsey analysis

Guy de Jonquieres on factors underlying the growth of private labels

New challenge for big brands

FEW ISSUES have excited as much controversy in western consumer goods industries recently as the growth of sales by retailers of private-label products and the implications for branded manufacturers.

In one sense the issue is not new. In the US and much of western Europe, private-label ranges have long had a share of the grocery market. However, several developments have lifted the phenomenon further up the industry agenda.

The most dramatic was the decision in April by Philip Morris, the world's largest tobacco manufacturer, to slash the US price of Marlboro, hitherto considered one of the world's strongest brands, in an effort to stem loss of market share to the cheaper private-label cigarettes.

Though the nature of the product and Marlboro's previous policy of raising prices much faster than inflation made this a special case, it focused attention on the wider private-label challenge faced by other branded consumer goods producers.

The recession has also boosted private-label products by making consumers more price-conscious. Though some observers see this as a cyclical phase, many others believe it is driven by structural changes in the consumer goods sector and by a longer-term switch in consumer attitudes.

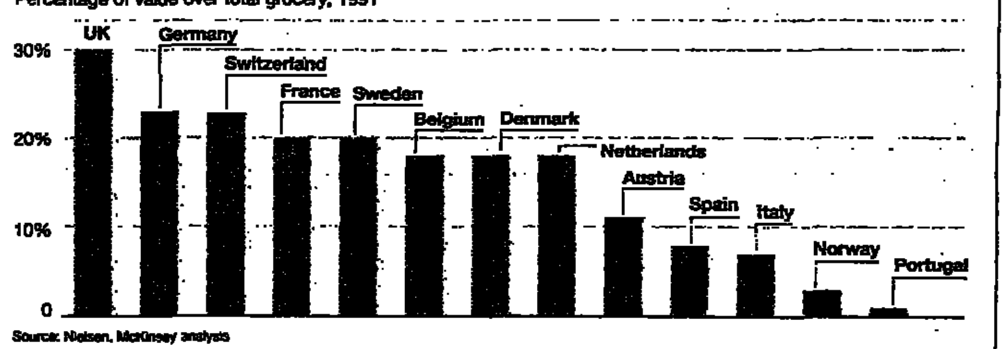
A third factor has been the success of large UK retailers such as Marks & Spencer and J. Sainsbury in developing private label into a category which competes not only on price but also increasingly on quality and sophistication.

In response to this other supermarket groups, notably groups in continental Europe, have eyed enviously the handsome profits which British chains have earned from this formula.

But behind the private-label trend lies a much broader shift, under way for at least two decades.

Penetration of private label by country in Europe

Percentage of value over total grocery, 1991



Source: Nielsen, McKinsey analysis

As the retail trade has grown more concentrated, it has steadily gained power at the expense of manufacturers, the biggest of which once dominated it completely.

The speed and characteristics of this shift in power differ between countries, reflecting a wide variety of local economic, social and business factors. So, too, does the nature of the private label business and the retailer strategies underlying it.

British supermarkets view the private-label business as a means to increase their margins

In the US and most continental European countries, private-label has traditionally held a dowdy, bargain-basement image and has classically been applied to commodity items which sold largely on price.

According to McKinsey, the management consultants, the retailers' main motive behind their use of private labels has often been "vindictive", to eliminate small competitors and curb the power of branded manufacturers.

At the other end of the scale, leading British supermarkets derive a much higher proportion of their sales from private label – more than half in several cases – than their counterparts abroad.

They also view the private label business as a means to increase their margins, differentiate between products and enhance the power of their own brands.

In the process, they have not just captured sales from manufacturer brands, but have asserted growing strategic control over the development, quality standards and marketing of the products they sell.

The assertive lead taken by UK retailers has several origins:

■ Marks & Spencer's success in building a 100 per cent private-label business, first in clothing and later in food.

■ Historically high commercial property prices, which have stimulated retailers to seek new sources of profit to cover the cost of their investments.

■ Development by leading retailers of highly efficient, centralised distribution systems which have greatly expanded their control over the supply chain.

■ Heavy investment in electronic point-of-sale and ordering systems to enable close monitoring of sales patterns.

■ Lack of competition from the small quality food retailers common on the Continent, where they are often heavily protected by regulation.

It is unclear how far other countries can follow profitably the pattern of the UK trade, when the combination of influencing factors does not exist: the only chain outside the UK to have successfully taken private-label up-market is Loblaw's of Canada.

However, several other non-UK retailers are trying. In the US, Wal-Mart, the big discount retailer, recently launched a range of private-label foods and drinks designed to compete directly with manufacturer brands, while in France similar moves are being led by Carrefour and Auchan.

At the same time, the structure of food retailing is being increasingly attacked in Europe by hard discounters, such as Germany's Aldi, which offer a narrow range of products at exceptionally low prices.

It is too early to judge whether increased competition from the hard discounters will prompt conventional supermarkets to respond in kind or to defend themselves by moving further up-market. But either way, the private-label challenge promises to confront branded manufacturers with increasingly difficult choices, not least because Aldi and some other hard discounters sell predominantly private-label goods.

At present, manufacturers are divided on how to respond. A few international brand leaders, such as Kellogg's, Coca-Cola and Mars, refuse to make private-label products at all. Others, including Unilever and Nestle, do so on a limited basis, largely to fill spare capacity.

Britain's United Biscuits, in contrast, has built a large specialised plant for private-label production, which generates about a third of its total UK sales. And many other smaller companies are dedicated exclusively to private-label production.

For some manufacturers, the decision to produce private label is dictated by weak market positions, which make it the only way to maintain sales volumes.

The structure of food retailing is being increasingly attacked in Europe

But for the stronger companies, the choice involves a delicate calculation of advantage. If they make private-label products, they risk weakening their own brands by setting up direct competitors.

But if they refuse to do so, they risk turning away profitable business which will be snapped up by competitors.

How this balance is struck in fact depends on a wide variety of factors, peculiar to individual products and companies. Furthermore, evidence suggests that many multinationals do not yet have a clear and consistent policy across Europe.

However, given the recent growth of private-label, and the changing relationship between retailers and manufacturers which underlies the growth, making the right choice seems likely to be of increasing importance to branded producer strategies.

CROSS-BORDER TRADE

Pace of expansion abroad quickens

RETAILING has long been one of the more fragmented of the world's industries. But now at last it is becoming more international as retailers look outside their home markets for acquisitions and alliances.

Indeed, the pace of cross-border expansion seems to have accelerated this year.

Tesco, the UK's second-largest food retailer, has acquired the 92-store Catteau chain in northern France, while Kingfisher took over Darty, France's largest electrical retailer. Outside the EC, Migros, the Swiss co-operative, has taken a dominant position in the Austrian grocery market through the acquisition of 112 Familia supermarkets from the Zumtobel group, and a joint venture with Konsum Osterreich, Austria's largest supermarket group.

Rewe, Germany's largest grocery retailer, has taken a stake in UK grocery chain Budgens, while Toys 'R' Us, the US speciality retailer, has announced moves into Belgium and Switzerland.

But retail experts say the sudden acceleration in cross-border alliances and acquisitions is an illusion created by the high number of deals concluded this year. In fact, many retailers have been pursuing cross-border opportunities for several years.

Ahold of the Netherlands, Aldi and Tengelmann of Germany, and France's Promodès and Carrefour have already increased the proportion of sales outside their home countries to more than 30 per cent.

Mr Robert Clark, director of Corporate Intelligence Group, the UK retail research group, predicts that increasing numbers of retailers will expand abroad. His group has identified between 60 and 80 US companies with firm plans to move into Europe.

Many leading European retailers, he says, are "crawling all over" neighbouring countries looking for opportunities. But he adds that large UK retailers – despite deals struck this year by Tesco and Kingfisher – are generally conspicuous in their lack of activity abroad.

"If they are not careful, UK retailers could get left behind," he warns.

And the pressures on retailers to expand overseas are building. The near-saturation of many core markets means they either have to use their retailing skills to diversify into different sales formats or product areas within their home country, or move into foreign markets.

But it is easy to underestimate the difficulties involved in expanding abroad. Successful retailing is a delicate balancing act, involving the delivery of the right goods and services to the local customer at the right price. Diverse tastes, cultures, and even climate mean the demands of customers vary considerably throughout Europe.

The need to provide different products to various markets can also mean cross-border expansion does not always lead to economies of scale, or increased buying muscle with suppliers.

And different legislation on areas such as opening hours, planning restrictions, VAT and minimum wages, can make operating conditions very different.

Ms Rosanne Murison, a retail expert with the Boston Consulting Group in London, says the key to international retailing success is first to "act local", making sure the new venture is viably positioned in the local market and responsive to that market's needs, and then to "think global", realising economies of scale where possible.

It is vital to conduct exhaustive research into customer demographics, tastes and pricing attitudes, and into competitors and sites.

After some notable past failures there is evidence that retailers have learned the need for a cautious, calculated approach to overseas expansion.

Tesco, for example, is using the relatively small Catteau acquisition to gain experience of operating in France. Rewe may be using its stake in Budgens in a similar way.

Migros is expanding initially into areas bordering Switzerland, where customers' tastes are similar to those in its home market, and has chosen as partner a diversified co-operative similar to itself.

Forming an alliance can be an attractive option to small and medium-sized companies lacking the financial muscle to acquire businesses or establish new operations abroad.

The UK's Institute of Grocery Distribution says there are four types of alliance. The first is purchasing-based alliances, designed to improve the buying power of members and develop new sourcing opportunities.

An example is Eurogroup, made up of Belgium's GIB, Switzerland's Coop Schweiz, Germany's Rewe, France's Paridoc, and Vendex of the Netherlands.

Another category is the development-based alliance, which is an agreement between two retailers to co-operate on a project. It has often been used by a retailer keen to enter a new national market – for example, the venture between Tengelmann of Germany and Superal of Italy. Tengelmann supplied management experience and knowhow so that Superal could consolidate its presence in Italy.

Large UK retailers are generally conspicuous in their lack of activity abroad

A third category is the skills-based alliance, which involves retailers sharing experience of different markets to their mutual benefit. An example is Belgium's GIB Group and the UK's J. Sainsbury, which developed the Homebase chain using GIB's experience in the DIY market and Sainsbury's UK presence.

Another form is the multi-functional group, which combines elements of the other three types. Chief among these are the European Retail Alliance – made up of the UK's Argyll, Ahold of the Netherlands and France's Casino, and Associated Marketing Services, which includes the ERA members plus seven retailers from Germany, Switzerland, Sweden, Finland and Spain.

But several retailers, including Belgium's Delhaize, the UK's Tesco and Tengelmann of Germany, have avoided buying alliances, often because of the risk of being tied to partners who might become takeover targets in overseas expansion plans.

But despite the difficulties and teething problems, the new wave of internationalisation, especially through cross-border alliances, looks set to be one of the most important retailing trends of the 1990s.

Neil Buckley

Profile: LO-COST

Food stores keep their cool

LOW-COST distribution of chilled and other temperature-controlled products has become an increasingly important feature of retail chain logistics.

A series of food safety scares during the late 1980s and the subsequent UK Food Safety Act of 1991 helped to highlight the importance of establishing and adhering to strict operational standards for the distribution and storage of temperature-sensitive food.

Faced with those pressures and the ever-present need to achieve greater efficiency and cost-savings, retailers have increasingly turned to third party specialists to run their so-called "cool chains". One such agreement is the award of a five-year contract by the Argyll Group's Lo-Cost retail chain to Wincanton Distribution.

The agreement covers the warehousing and distribution of 300-400 different ranges of chilled foods – typically cheese, butter, other dairy products and meat – and fresh produce to 300 stores throughout the UK. A purpose-designed 156,000 square foot dedicated warehouse at Solihull, West Midlands, was acquired by Wincanton specifically to service the Lo-Cost contract. Around one-third of the warehouse is being used for chilled storage and those facilities now handle all Lo-Cost's centralised distribution of chilled products.

Supporting the centralised distribution centre are three outbase centres in the south-west, south-east and north-west of England, a fleet of 16 vehicles, and a workforce of around 100 people. Before the agreement, Lo-Cost had primarily relied on chilled product manufacturers to deliver directly to its branches around the UK. It also used one small contracted operation.

Now, most manufacturers deliver goods into the Solihull centralised distribution centre, although some products are collected from the manufacturers by Wincanton using vehicles returning from delivery runs to the Lo-Cost stores.

"That backhaul operation is still fairly limited but it is growing. The advantage is it enables us to maximise the use of the distribution fleet," says Mr Mike Burbage, managing director of Wincanton Distribution.

Communication between Lo-Cost, its suppliers and Wincanton is now increasingly an EDI (electronic data interchange) function. Individual stores relay their orders to the Solihull distribution centre via handheld terminals.

Goods held at the centre are called up from stock while details of goods not held at the distribution centre are passed on to the relevant manufacturers who deliver to Solihull. Wincanton then consolidates the products into individual store orders and organises the distribution of consignments.

Philip Hastings

Vanessa Houlder examines how some sections of the property sectors are bucking the downward trend

Market shows signs of stabilising

RETAIL property remains a tenant's market. The lengthy recession, together with the surge in development in the late 1980s, has created a glut of empty premises and a steep decline in rental values.

Nonetheless, there are tentative signs that the market is stabilising. Moreover, some segments of the market such as food stores and retail warehouses have bucked the downward trend.

Tenants are forcing up rents and facing fierce competition to obtain suitable sites and planning consents.

Variations between different parts of the retail property market are striking. Over the two years to February 1993, rental values of town centre shop units and out-of-town shopping centres fell by 8 per cent and 1 per cent respectively, according to research group the Investment Property Databank.

By contrast, the rental value of retail warehouses rose by more than 6 per cent over the same period. Indeed, the buoyancy of the retail warehouse sector has been one of the most notable features of the property recession.

This has been due partly to a limited supply of space since retail warehouse units are rarely built without a letting agreement from a tenant. At the same time, growing requests from retailers to take space away from the town centres on sites that are visible, accessible and have ample car-parking space has boosted demand.

This trend, which gathered momentum during the 1980s, was led by the supermarket groups, along with stores selling do-it-yourself equipment, furniture, and home furnishings. In fact the trend has continued with traditional high street retailers, including Comet, Currys and Halfords, opening out-of-town units.

Demand from tenants may soon begin to stimulate development of some of the 16m sq ft of retail warehouse parks that now have planning consent. According to Hillier Parker, chartered surveyors, there are "clear signs of interest" in retail park development beginning to re-emerge.

The same cannot be said for any significant renewal in development of shopping centres, a market that is currently in the doldrums. Just over 2m sq ft of shopping centre floorspace was under construction in December 1992, down from more than 7m the previous year, according to Hillier Parker. And more than 1m sq ft of shopping centre floorspace originally scheduled for completion during 1991 and 1992 failed to open.

Indeed shopping centre development is likely to remain subdued. Hillier Parker expects it "to take at least two or three years" for the shopping centres opened since the onset of recession to be filled up.

The future of out-of-town shopping centres does not simply depend on a revival of demand from retailers. It also depends on the outcome of a debate between those who believe out-of-town centres are complementary to the needs of town centres and those who believe they are highly damaging.

Growing requests from retailers to take space away from the town centres on sites that are visible, accessible and have ample car-parking space has boosted demand

The government's policy on out-of-town shopping centres was updated last October, when the Department of the Environment issued a new planning policy guidance note, known as PPG6. The guidance note emphasised the need to revitalise town centres, rather than promote large out-of-town stores.

It said that regional out-of-town shopping centres 'would not normally be appropriate' if they seriously jeopardised investment in nearby town centres, or unless there was likely to be a significant growth in population or retail spending.

The difficulty in assessing these factors was recently highlighted by the government's decision in March to approve the development of the Trafford Shopping centre, the first regional shopping centre in the north-west of England.

The decision was strongly criticised by local councillors, town centre retailers and property owners who claimed that 1m sq ft of new shops on the outskirts of Manchester would further damage business in the city.

But the Trafford Centre may turn out to be the last regional shopping centre to be granted planning consent – most of the country is now within reach of a regional centre, with the exception of the south-west of England.

The arguments on regional centres also apply to other types of out-of-town stores. For instance, "club warehouses" and factory outlets – the US-style discount stores which are beginning to take root in the UK – are seen as a potential threat to town centres by many retailers.

Supermarket groups are also at the centre of the debate about out-of-town shopping, since they are continuing with ambitious programmes to open out-of-town superstores.

Similar criticisms to regional shopping centres apply – the growth of out-of-town food stores is hastening the demise of local shops. The number of grocery shops has fallen in the last three decades from more than 100,000 to 40,000.

Such criticisms may increase as the large supermarket groups target smaller towns. Chesterton, the chartered surveyors, says that the proportion of large new food stores located in small towns has increased from less than 10 per cent in 1990 to about 25 per cent today.

Finding suitable sites is a growing constraint on the supermarket groups' expansion. Moreover, the difficulty in securing suitable sites is a severe obstacle for newcomers to the market, such as Aldi and Netto, discount food retailers, attempting to gain ground in the UK.

"It is clear that the newcomers have encountered greater-than-foreseen difficulites in obtaining suitable sites and planning consents in a highly competitive property market," says research companyCorporate Intelligence Group.

Indeed for the retail sector as whole, intense competition for premises is now the exception rather than the rule.

But UBS, the brokers, believes it unlikely that retailers in general will be looking to take additional space in preparation for an upturn in consumer confidence. "Whereas the late 1980s saw a 'race for space', the emphasis now is one rationalisation and the restoration of profit margins", it says.

Neil Buckley discusses new formats in the money-conscious 1990s

US takes the cut-price lead

WHILE the UK may be the envy of Europe for the efficiency and quality of its food retailing, the US still leads the way when it comes to new retailing ideas. Several innovative US formats are now crossing across the Atlantic.

All are discount formats, reflecting the move towards lower-margin retailing in the 1990s, and could have a big impact on Europe's existing retailers.

The first is the warehouse club, the fastest-growing format in US retailing in the past 10 years, with between 50 and 100 outlets opening each year. Total sales had reached more than $34bn last year.

Warehouse clubs are huge sheds – at between 100,000 and 150,000 square feet they are four or five times the size of a typical grocery superstore – which sell a limited range of 3,500 to 4,000 lines at bargain prices in no-frills surroundings. Profit margins are pared to the bone, but the clubs make money by shifting huge volumes of goods. And they charge an annual membership fee of $25 to $30.

Warehouse clubs could eventually spread across Europe with the UK the first to experience the format, because it is often used by US retailers as a testing ground prior to a full assault on continental Europe.

The club culture is the opposite of that of many UK retailers, which have concentrated their efforts in recent years on increasing operating margins.

"When these two cultures clash, it will be very, very interesting to see which one wins," says one retail expert.

Despite delays in obtaining planning consents, Costco, the third-largest US operator, plans to open warehouse outlets at Trafford Park, Manchester, and Thurrock, Essex.

Nurdin & Peacock, the UK cash and carry chain, has taken space at Wednesbury in the West Midlands and on the Valley Park development in Croydon, south London.

And, most recently Littlewoods, the privately-owned retailing and football pools organisation, has formed a joint venture with Price Club Canada, a subsidiary of the second-largest warehouse club operator in the US, saying it aims to open at least one warehouse club in the UK this year.

But many retail experts are sceptical about UK and continental Europe warehouse clubs' ability to keep costs low enough and volumes high enough to secure adequate rates of return on investments.

Factory outlet malls are another US format heading for Europe. These have grown almost as rapidly in the US as warehouse clubs, to 270 in less than 10 years, with another 160 in the pipeline.

Again, the UK could be the testing ground. There are more than 1,100 small factory clearance outlets in the UK, selling goods cheaply, either because they are cutting out the middle man or they are selling factory over-makes, end-of-line or returned stock. A relatively new concept is grouping such outlets together in a large mall.

The idea was pioneered in the UK in the late 1980s by the Hornsea Retail and Leisure Park in Humberside. This is where manufacturers including Aquascutum, Laura Ashley and Wrangler are able to sell goods at about 30 per cent below high street prices.

Hornsea attracted more than 800,000 visitors last year, and other developers are keen to harness the format's potential. At least three groups, including Value Retail, a consortium of US and UK developers; Prime Group of America, Richardson Developments and Tarmac consortium; and UK developer Factory Outlet Shopping Centres, plan to open factory outlet malls in the UK and continental Europe.

Factory outlet malls are heading for Europe. These have grown almost as rapidly in the US as warehouse clubs

Again, some commentators are sceptical about factory outlet malls' prospects in Europe. Despite the growing price awareness among shoppers, the appeal of buying out-of-season fashions from out-of-town malls is largely untested.

But high-volume discount retailing has been only one of two important trends in US retailing in the late 1980s. The other is the growth of speciality retailers known as category killers – highly-efficient operators which sell a wide range of goods within a narrowly-defined consumer market at discount prices, usually from low-cost edge-of-town superstores.

Their aim is to kill off the competition in their product category.

Category killers have already arrived in the UK. Toys 'R Us is the best-known example, and has revolutionised the UK toy industry, building a 20 per cent market share and leading to the demise of many small, specialist chains. The US chain has recently announced plans to move into Belgium and Switzerland.

There is also Ikea – not another US store, but a Swedish furniture and home furnishings chain operated on the category-killer principle.

It has been highly successful in a number of European countries and has slow but steady expansion plans.

Another example is PC World, the computer superstore concept brought to the UK by Jan Murray, chairman of Vision Technology Group. Mr Murray recently sold the company to Dixons, the UK's largest electronics retailer which aims to open up to 30 PC Worlds within three years.

Start of the road: US-style factory outlets are on the way to the UK

What the next retailing import from the US might be is less clear. Some commentators believe it could be large, discount variety stores similar to those run by Wal-Mart, the world's largest retailer. But high land costs could prevent these operating effectively in the UK.

Industry analysts believe that in the long run the nature of shopping could change radically, with customers buying more and more products from the comfort of their own homes.

Mail order and home shopping currently accounts for between 3 and 6 per cent of all retail sales.

But many believe its share will gradually decline, because mail order's traditional advantages – availability of credit, convenience, home delivery and low prices – have been eroded by the developments in high street retailing. And despite home shopping advantages , it seems shoppers still prefer to buy their goods in the shops.

"The long-term trend is definitely down," says Mr Richard Hyman, director of Verdict, the UK retail market research group.

Others believe new technology such as interactive video systems, and computer systems to process orders automatically, will eventually enable customers to choose goods from TV screen catalogues – orders and payments are carried out by tapping into a key pad.

Indeed, home shopping made easy could divert sales from the high street, sparking off potentially the biggest revolution yet in the retail industry.

COMMODITIES AND AGRICULTURE

Bullion prices ebb after rapid rise

By Kenneth Gooding, Mining Correspondent

GOLD'S PRICE dropped by $7.20 a troy ounce to close at $363.95 in London yesterday, just 7 per cent above the $340 level where it languished in late April before a concerted effort by investors Sir James Goldsmith and Mr George Soros boosted the market.

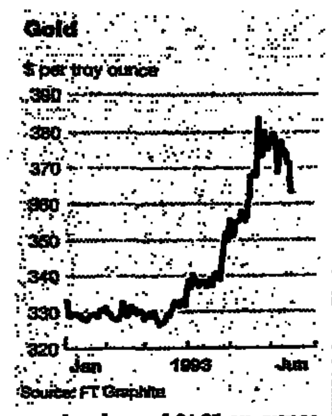
But many analysts suggest gold is simply pausing for breath after its hectic rise and eventually will continue upwards. "Gold is still in pretty good shape. We expected some consolidation after its meteoric rise," said Mr Graham Roberts, director of mining research at Carr Kitcat & Aitken, part of the Banque Indosuez Group. He said gold would reach $380 to $385 an ounce by the end of the summer and be at $400 "within 12 months. But I can't go along with those who suggest $450 or $500 is achievable."

Yesterday's near-2 per cent fall in gold's price in Europe followed volatile trading in New York late on Friday when it was driven down by options-related selling, which triggered further selling by investors wanting to cut their losses.

Sentiment was also affected by the release of US producer price statistics for May, indicating inflationary pressures in the States were easing.

Mr Roberts pointed out that $362 an ounce was an important technical support point for gold and if this was breached, the next solid support was at $355. "But if it goes below $350, then we are back at square one." He said the greatest danger to a further price rise was that producers might start to sell gold forward again because they were disappointed that the fast upward momentum had not been maintained.

Conditions in the gold market washed over to other precious metals yesterday. Consequently, silver's price closed in London 14 US cents, or nearly 3.5 per cent down, at $4 a troy ounce, while platinum experienced a drop of $4.25 an ounce to close at $382.50.



Gold destined to remain asset of last resort

The central banks deny their actions will disrupt the market, writes **David Blackwell**

FT

CENTRAL banks are unlikely to change their basic attitude of considering gold as a reserve asset of last resort, delegates to the Financial Times World Gold Conference were told yesterday.

Mrs Agnes Van den Berge, head of foreign exchange at the Banque Nationale de Belgique, also ruled out the possibility of the central banks disrupting the gold market by their actions.

Last year, Belgium sold 202 tonnes of gold, raising BFR61.5bn, (£1.2bn) and lifting its foreign currency reserves by 30 per cent, and also cutting the share of gold in its total reserves to about 50 per cent.

"This level corresponds to the proportion of gold in the total reserves of the principal neighbouring countries, and this change in the composition of the reserves will facilitate the participation of the Bank in the process of European monetary unification," said Mrs Van den Berge.

Gold accounts for about one quarter of total international reserves compared with 58 per cent in 1980. Holdings, however, have been stable but their dollar value has fallen considerably. At the same time, foreign exchange reserves have increased.

Mrs Van den Berge said that in addition to the traditional role as a last resort, gold would be increasingly be used as collateral against borrowing: "Because credit and counterparty risk is becoming a major concern in financial markets," she said.

Gold was also seen as a means of diversifying reserves. By lending it out in the form of gold instruments, such as swaps, it had become a potential interest-earning asset.

Mrs Van den Berge could not foresee a big change in official gold holdings: "I do not rule out, however, that the uneven distribution between central banks will become more equal. Furthermore, central banks will manage their stocks more actively in order to earn a return on it."

Dr Ercan Kumcu, vice-governor of the Turkish central bank, said Turkey had no plans to buy or sell from its reserves, which stand at 126 tonnes. "We think that the present volume of gold reserves is the right size, not more and not less than the amount that should be kept when compared to the total foreign exchange reserves of the country," he said in a speech to the conference.

The increasing uncertainties facing the mining industry in North America were highlighted by Mr Neil Westoll, a senior vice-president of Lac Minerals, of Canada: "In many ways, the governments in North America have turned their backs on natural resources because of pressure from environmental and land-use groups," he said.

Over the last decade, environmental costs had risen significantly. A recent survey of 10 of the 16 biggest mining groups in Canada showed that reclamation costs had risen from C$1m (£500,000) in 1986 to C$250m in 1991. Prosecutions for environmental offences were also sharply up.

While the industry had increased productivity per man-shift by 45 per cent since 1989, and cut costs 16 per cent, it was worried by the prospect of continually-changing legislation. In the US, for example, royalty and tax proposals could drop the rate of return on a mine below acceptable limits.

South Africa, still the biggest gold producer in the world, had benefited from the lower gold prices of recent years by developing a leaner and fitter industry, said Mr Bobby Godsell, president of the South African Chamber of Mines and an executive director of Anglo American.

His positive assessment of South Africa's political future was shared by Mr Richard Menell, finance manager at Anglovaal. But Mr Menell believed it would take several years of stability under any new government, plus high gold prices, to attract the finance for major new deep goldmines.

Development of such a mine involved capital costs of up to US$1bn, and a lead time of five to 10 years before a positive cash flow emerged, he said. The political risks and the risk of a lower gold price were too high to attract long-term investors at the moment.

South African production would fall from 620 tonnes to 500 tonnes by the end of the century, he predicted. This level could be maintained for some years but very few mines had secure lives beyond 2010.

"Therefore, in order to maintain long-term gold output, new projects must commence development by the year 2000," he said.

Gold production from the Pacific Rim would rise to 470 tonnes by the year 2000 from 400 tonnes last year, said Mr David Tyrwhitt, consulting geologist and a director of Normandy-Anglo-Asian. The main growth would come in Indonesia from 44 tonnes to 78 tonnes and Papua New Guinea, which could reach 120 tonnes if the Lihir project went ahead and Bougainville re-opened. Last year, Papua New Guinea produced 74 tonnes.

● THE FT Gold Mines Index is to be relaunched in an improved form later this year, it was announced yesterday.

Whereas the existing index, started in 1955, is based on London Stock Exchange dealings in 21 South African gold mine shares, its replacement will include many of the important US, Canadian and Australian groups and will not be restricted to London dealings.

It is expected to represent just over half the western world's gold mine output.

THE gold market has turned higher in the past two months for good fundamental reasons, Mr Robert Guy, director of N.M. Rothschild, told the conference. Central bank sales were seen as less of a threat and the mining industry was more confident.

Investors had been slow to react but they had returned to the market and appeared unconcerned by the fall in physical demand. The gold price, however, was low enough to attract more demand once buyers were used to the level, said Mr Guy.

Mr Brian Marber, an independent technical analyst, said gold met all the criteria for a bull market. He suggested it would end only in the event of the afternoon fix on the London bullion market falling below $339.60 a troy ounce (the level at which it stood when the one-month average started to rise) "in which case a test of the March low at $326.10 would be likely to follow".

Reform changes the face of Albania's farming sector

Meat and dairy production has risen at the expense of cereals, writes **Kerin Hope**

COMPARED WITH what happened in other parts of Albania, Mr Abdyl Shehi thinks the privatisation of Peza collective farm went well.

"Some people who weren't satisfied with the share-out vandalised the irrigation equipment, and now they try to move in and cultivate other people's land. But we're lucky because there hasn't been any violence," he says.

Mr Shehi and his family own a one-hectare (2.47-acre) holding, considerably less than the Albanian average of just under two hectares. But he has better access to a market than other farmers: there is a daily bus to Tirana where his wife sells their produce – potatoes, onions and spinach – in the bazaar.

More than 90 per cent of agricultural land and livestock has been shared out among workers on collective farms in the two years since Albania officially abandoned Stalinist self-sufficiency.

Land distribution, however, is still under dispute in the mountainous north of the country, where most land is of poor quality. Although pre-communist titles were considered void under the privatisation law, some villagers have tried to claim back their old holdings by attacking the new owners.

Privatisation has brought a 30 per cent increase in milk and meat production since 1991 as farmers built up flocks of sheep and goats, a form of husbandry neglected in the communist period. Cows owned by the collectives were handed over to individual farmers. But a shortage of feed and high rates of disease have reduced their numbers, according to the agriculture ministry.

The switch to subsistence farming, together with the breakdown of the state distribution network for seeds and fertiliser, meant, however, that production of cereals dropped by almost 60 per cent in 1991-92.

Albania has relied on food aid, mostly provided by the European Community, for two successive winters. While wheat production this year is forecast to rise 20 per cent to about 320,000 tonnes, another 300,000 tonnes will still have to be imported.

Large-scale production of cereals is unlikely to resume until the land law is reformed, allowing villagers to sell their holdings and create larger farms. Meanwhile, efforts are being made to help improve output by introducing market mechanisms to Albanian agriculture.

The US Agency for International Development has backed a project to develop a market in fertiliser. A total of 30,000 tonnes of fertiliser, provided by the International Fertiliser Development Centre, was sold through auction to more than 150 would-be dealers.

More than half the bidders were unemployed agronomists who lost their jobs when the collective farms were privatised. Much of the fertiliser, urea and phosphate for winter wheat and summer crops, was sold direct to farmers with a profit margin for the dealers of more than 100 per cent.

"We've made businessmen of many of the staff from the collective farms. The fertiliser dealers will be well placed to market other inputs like seeds, pesticides and machinery," says Mr Ray Diamond, who headed the IFDC project.

US wins round in Canadian hog war

By Lisa Bransten in Washington

FOR THE first time in three attempts US pork producers last week won a round in their ongoing fight for tariffs on hogs from Canada, but they continue to criticise the dispute settlement process established by the US-Canada Free Trade Agreement.

A binational panel last week upheld duties imposed on Canadian hogs after the US International Trade Commission found that Canadian subsidies to its hog farmers injured US producers.

The panel found that the subsidies did injure US producers during the period from April 1, 1989 to March 31, 1990.

Mr Charles Harness, a spokesman for the US National Pork Producers Council, said he was pleased with the decision, but that his organisation continues to have problems with the process.

"We think [the dispute settlement process] needs some reworking so a panel cannot overrule US law," Mr Harness said.

In 1989 a panel reversed tariffs imposed on pork products entering the US on the grounds there was not substantial evidence that the imports were causing injury to US pork producers.

In 1992 another binational panel ruled there was not substantial evidence to uphold tariffs on live hogs for a period from 1988 to 1989.

Canadian pork producers said they will probably not challenge the decision.

"While we do not agree with the result we will live with it in this case," said Mr Tom Smith, president of the Canadian Pork Council.

Mr Smith said the period under investigation was a particularly hard one for Canadian pig farmers and therefore they did receive relatively large subsidies.

He said the subsidies are much lower and a panel reviewing later periods would be unlikely to find that US pork producers were injured by Canadian subsidies.

Generally Canadian producers are satisfied with the existing dispute settlement process, but the panel had strong criticism for the warring parties.

It chastised all involved for failing to comply with their obligation to file the correct documents promptly.

PowerGen and NRG in eastern German mine agreement

By Judy Dempsey in Berlin

BRITAIN'S PowerGen, and NRG of Minneapolis, the Anglo-American consortium which has sole negotiating rights until next month for Mibrag, the giant brown coal fields in eastern Germany, has secured a mining partner for the open-cast pits.

The agreement, forged last weekend between the consortium and Morrison Knudsen, the Idaho-based mining experts, means that PowerGen and NRG, whose main interests are in utilities, will be in a position to tap the efficiency of the mines.

The mines, which are expected to produce between 15m and 20m tonnes a year, are being sold by the Treuhand, the agency charged with privatising eastern German industry. PowerGen and NRG won sole negotiating rights for the mines last January after a decision by the Treuhand to put Mibrag out to tender the previous month. The consortium's purchase of Mibrag is linked to buying a share of a 800 Mw plant at Schkopau, near Leipzig.

"We really are pleased to have Morrison Knudsen on board. They will optimise the efficiency of Mibrag," said Mr Peter Jones, managing director of NRG'S project development arm. It is expected that Morrison Knudsen will hold a 33 per cent stake in Mibrag after it has been sold to PowerGen and NRG. The consortium's new mining partner, however, will not take over the daily mining of the pits – which will continue to be carried out by Mibrag employees – but will instead focus primarily on planning and strategy.

PowerGen and NRG are evaluating Mibrag's assets, which range from pits and power generation, to wax works and lines for producing briquettes. Before 1989, Mibrag employed more than 54,000 people, but that has fallen to below 16,000 after reduced capacity. The mines have already a viable commercial basis because they have signed coal contracts, spread over forty years, to supply an annual 15m tonnes to Schkopau, and Lippendorf, a large 1,600 Mw power plant.

Yesterday Treuhand officials said they were increasingly confident that the Anglo-Americans would acquire Mibrag.

Indonesia sets fire to nutmeg stocks

INDONESIA IS setting fire to hundreds of tonnes of aromatic nutmeg in a desperate attempt to boost world prices, a trade ministry official said yesterday, reports Reuter from Jakarta.

Oversupply on the world market had for some years depressed the value of the spice, he said. Indonesia produces 70 per cent of the world's supply of 12,000 tonnes a year and Grenada the remaining 30 per cent. Indonesian traders are trying to decide what to do with the 5,000 tonnes in stocks they hold. Last week exporters set fire to 300 tonnes of the spice and sent prices up $50 (£32.40) to $600 a tonne.

WORLD COMMODITIES PRICES

MARKET REPORT

Base metal trading was extremely slow today at the London Metal Exchange, and only **COPPER** swam against the ebb tide of prices. Three months delivery copper moved above $1,850 a tonne in late trading, and dealers said the market looked set to test overhead resistance today. There was speculative support below current levels, they said, and short-covering was likely to appear on any dips. The months **TIN** managed to clamber back above the recent 20-year low of $5,150 a tonne, which was equalled early in the day, but seemed destined to break lower, as producer resolve to limit exports was weakening, dealers said. **ALUMINIUM** prices also fell back, although support appeared to have been found at $1,170 a tonne, for the three months contract. At the London Futures and Options Exchange **COCOA** futures extended earlier losses during the afternoon session amid disappointed long liquidation after the recent failed attempt at an upside break-out. Robusta **COFFEE** futures tested both ends of the current trading band, finishing at the upper end of the range.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Jul)		+ or -
Dubai	$15.71-5.78z	+0.06
Brent Blend (dated)	$17.62-7.64	+.015
Brent Blend (Aug)	$17.93-7.96	
W.T.I (1 pm est)	$19.34-9.37z	+.015

Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$201-203	-1
Gas Oil	$164-165	
Heavy Fuel Oil	$58-60	-0.5
Naphtha	$173-175	-0.5
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$363.95	-7.20
Silver (per troy oz)♣	420.0c	-14.0
Platinum (per troy oz)	$382.50	-4.25
Palladium (per troy oz)	$126.25	-1.75
Copper (US Producer)	88.50	
Lead (US Producer)	34.63c	+1.13
Tin (Kuala Lumpur market)	13.05r	-0.08
Tin (New York)	239.5c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	143.74p	-1.37*
Sheep (live weight)†♠	110.89p	-12.41*
Pigs (live weight)†	86.97p	-3.21*
London daily sugar (raw)	$287.4	+0.4
London daily sugar (white)	$285.2	-0.3
Tate and Lyle export price	£300.0	
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£168.5	
Wheat (US Dark Northern)	£142.0	
Rubber (Jul)♥	58.25p	-0.25
Rubber (Aug)♥	58.50p	-0.25
Rubber (KL RSS No 1 Jul)	210.0m	
Coconut oil (Philippines)§	$432.5v	
Palm Oil (Malaysian)§	$352.5y	
Copra (Philippines)§	$279.0	
Soyabeans (US)	£175.0z	-1.5
Cotton "A" Index	58.35c	-0.16
Wooltops (64s Super)	357p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Jul/Sep. z-Aug.v-Jul/Aug ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♠Sheep prices are now live weight prices * change from a week ago, provisional prices.

SUGAR – London FOX			($ per tonne)	
White	Close	Previous	High/Low	
Aug	285.00	287.70	287.90	282.50
Oct	280.50	283.50	283.40	278.30
Dec	281.00	283.70	283.20	279.80
Mar	284.00	287.00	286.20	282.00
May	288.50		290.20	
Aug	294.50		295.70	

White 1147 (830) Paris- White (FFr per tonne): Aug 1554.38 Oct 1536.37

CRUDE OIL – IPE			$/barrel	
	Latest	Previous	High/Low	
Jul	17.69	17.66	17.73	17.59
Aug	17.89	17.90	17.96	17.82
Sep	18.10	18.09	18.12	18.01
Oct	18.25	18.26	18.26	18.12
Nov	18.31	18.40	18.32	18.28
Dec	18.42	18.48	18.42	18.35
IPE Index	17.79	18.17		

Turnover 32142 (54341)

GAS OIL – IPE			$/tonne	
	Close	Previous	High/Low	
Jul	164.50	164.50	165.75	164.25
Aug	166.50	166.25	167.25	166.00
Sep	168.75	168.50	169.00	168.50
Oct	172.25	172.25	172.75	172.00
Nov	174.50	174.50	174.75	174.25
Dec	176.50	176.50	177.00	176.00
Jan	177.75	177.75	178.00	177.50
Feb	177.50	177.00	177.25	177.00

Turnover 11936 (14710) lots of 100 tonnes

TEA
Landed demand continued strong and general, report the Tea Brokers' Association. Brighter liquoring East African teas sold readily at fully firm to dearer rates. Mediums showed irregularity and plainer sorts were easier with quality. Ceylons met good support at firm rates. Offshore improved competition for most of the ctt offerings with brighter Ceylon and Zimbabwe teas a good feature. Quotations: quality 155p nom, good medium 135p, medium 105p and low medium 85p. The highest price realised this week was 171p for a Rwanda pf.1.

COCOA – London FOX			£/tonne	
	Close	Previous	High/Low	
Jul	662	669	668	660
Sep	671	680	677	670
Dec	691	699	696	691
Mar	713	720	716	712
May	727	733	732	729
Jul	741		744	
Sep	754	762	755	
Mar	798	804	802	798

Turnover: 3197 (3539) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jun 11 677.54 (684.39) 10 day average for Jun 14 680.79 (682.29)

COFFEE – London FOX			$/tonne	
	Close	Previous	High/Low	
Jul	905	892	904	889
Sep	920	904	919	899
Nov	926	911	925	908
Jan	926	912	925	909

Turnover: 1847 (1648) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jun 11 Comp. daily 53.09 (54.03) 15 day average 54.76 (54.93)

POTATOES – London FOX			£/tonne	
	Close	Previous	High/Low	
Apr	94.10	95.2	96.0	94.0
May	101.80	101.8	102.5	102.5

Turnover 32 (38) lots of 20 tonnes.

SOYAMEAL – London FOX			£/tonne
	Close	Previous	High/Low
Jun	149.00	149.00	149.00

Turnover 0 (175) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point	
	Close	Previous	High/Low	
Jun	1463	1480	1475	1460
Jul	1340	1358	1355	1338
Aug	1325	1350	1335	
Oct	1420	1432	1420	1415
BFI	1563	1563		

Turnover 97 (335)

GRAINS – London FOX			£/tonne	
Wheat	Close	Previous	High/Low	
Jun	136.50	134.00	138.25	136.50
Nov	108.75	108.90	108.80	108.75
Jan	111.45	111.60	111.50	
Mar	113.80	114.00	113.80	113.75
Barley	Close	Previous	High/Low	
Nov	107.85	107.90	107.80	
Mar	112.25	112.15	110.20	

Turnover: Wheat 97 (301), Barley 2 (24).
Turnover lots of 100 Tonnes.

PIGS – London FOX			(Cash Settlement) p/kg
	Close	Previous	High/Low
Jun	115.90		115.8
Jul	108.00		108.0
Aug	102.30	102.0	102.0

Turnover:38 (6) lots of 3,250 kg

LONDON METAL EXCHANGE				(Prices supplied by Amalgamated Metal Trading)		
	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 39,728 lots
Cash	1146.5-7.5	1158-59	1149/1148.5	1148-8.5		
3 months	1171-1.5	1182-83	1179/1171.5	1173.5-4.0	1172-3	n/a lots
Copper, Grade A (£ per tonne)						Total daily turnover 68,692 lots
Cash	1210.5-1.5	1198-99	1208/1205	1205.5-6.0		
3 months	1220.5-1.0	1208-8.5	1222/1216	1217-7.5	1220-1	n/a lots
Lead (£ per tonne)						Total daily turnover 2,930 lots
Cash	258-9	260-61	257.5/257.25	257.25-7.50		
3 months	268-8.25	269.5-70	268/267.5	267-7.5	268.5-9.0	n/a lots
Nickel ($ per tonne)						Total daily turnover 5,053 lots
Cash	5490-5	5545-65	5495/5482	5480-2		
3 months	5555-60	5615-20	5610/5530	5555-60	5560-5	n/a lots
Tin ($ per tonne)						Total daily turnover 1,516 lots
Cash	5100-5	5170-80		5110-5		
3 months	5160-5	5225-35	5210/5150	5170-5	5160-5	n/a lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 11,186 lots
Cash	913.5-4.5	916-17	913.5	913-3.5		
3 months	932.5-3.0	934-35	936/931	932-2.5	931-2	n/a lots

LME Closing £/$ rate:
SPOT: 1.5270 | 3 months: 1.5171 | 6 months: 1.5087 | 9 months: 1.5023

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	363.70-364.20	
Opening	365.50-366.00	
Morning fix	366.30	238.412
Afternoon fix	363.00	237.332
Day's high	366.40-366.90	
Day's low	362.25-362.75	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.42	6 months	2.48
2 months	2.43	12 months	2.52
3 months	2.44		

Silver fix	p/troy oz	US cts equiv
Spot	276.00	422.00
3 months	279.80	425.00
6 months	283.85	428.85
12 months	291.30	436.35

GOLD COINS

	$ price	£ equivalent
Krugerrand	368.5-369.500	239.00-241.00
Maple leaf	374.65-377.00	
New Sovereign	87.00-90.00	57.00-59.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Aug	Oct	Aug	Oct
1150	39	61	24	30
1175	26	47	36	41
1200	17	36	52	54

Copper (Grade A)	Calls		Puts	
1800	95	120	46	69
1850	68	95	69	93
1900	47	73	98	120

Coffee	Jul	Sep	Jul	Sep
850	65	85		15
900	11	63	6	61
950		31	45	98

Cocoa	Jul	Sep	Jul	Sep
650	13	37	1	1
675	1	23	14	4
700		14	36	8

Brent Crude	Aug	Dec	Aug	Dec
1800	28		38	48
1850	10	61	77	
1900	3	42		

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Jun	365.3	368.1	366.0	361.7
Jul	365.8	366.7	366.5	366.5
Aug	366.6	367.5	368.0	361.7
Oct	368.2	369.2	369.0	363.5
Dec	369.7	370.8	371.0	365.7
Feb	371.2	372.3	372.5	368.9
Apr	372.8	373.8	372.0	368.0
Jun	374.4	375.5	375.5	370.0
Aug	376.1	377.3	375.5	374.8

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Jul	379.5	385.1	386.0	378.0
Oct	378.5	384.3	385.0	375.5
Jan	379.0	385.1	382.0	378.0
Apr	376.0	385.6	376.0	376.0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Jun	421.2	418.5	0	0
Jul	421.8	419.3	422.0	416.0
Aug	423.4	420.9	0	0
Sep	424.8	422.4	425.5	419.0
Dec	429.4	427.1	430.0	424.0
Jan	430.0	427.7	0	0
Mar	433.8	431.6	433.0	428.0
May	437.2	435.1	436.0	431.5
Jul	440.2	438.2	0	0
Sep	443.6	441.8	441.0	441.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jun	82.60	82.50	82.50	82.50
Jul	82.70	82.70	83.15	82.60
Aug	82.85	82.85	0	0
Sep	83.00	83.05	83.45	82.95
Oct	83.10	83.15	0	0
Nov	83.20	83.25	0	0
Dec	83.35	83.40	83.75	83.40
Jan	83.50	83.65	84.10	83.60
Feb	83.60	83.65	0	0
Mar	83.75	83.80	83.80	83.80

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Jul	18.96	18.98	19.03	18.86
Aug	19.33	19.32	19.37	19.24
Sep	19.56	19.53	19.58	19.48
Oct	19.69	19.65	19.69	19.56
Nov	19.73	19.74	19.75	19.65
Dec	19.82	19.81	19.83	19.72
Jan	19.92	19.88	19.92	19.84
Feb	19.93	19.91	19.93	19.93
Mar	19.92	19.93	0	0
Apr	19.95	19.95	19.95	19.95

HEATING OIL 42,000 US galls. cents/US galls				
	Latest	Previous	High/Low	
Jul	52.80	53.01	53.00	52.60
Aug	53.40	53.72	53.65	53.35
Sep	54.50	54.80	54.70	54.40
Oct	55.65	55.83	55.75	55.55
Nov	56.75	56.83	56.80	56.55
Dec	57.60	57.81	57.80	57.50
Jan	58.35	58.39	58.40	58.15
Feb	58.35	58.24	58.35	58.15
Mar	57.15	57.24	57.25	57.10
Apr	56.25	56.04	56.25	56.00

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Jul	850	846	856	848
Sep	885	881	890	882
Dec	925	920	928	922
Mar	967	963	968	964
May	991	987	992	992
Jul	1013	1009	1018	1018
Sep	1035	1032	1033	1033
Dec	1068	1063	0	0
Mar	1103	1098	1103	1098
May	1110	0	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	58.75	57.15	58.95	57.00
Sep	60.65	59.15	60.70	58.90
Dec	63.45	61.90	63.50	61.70
Mar	65.95	64.50	65.95	64.40
May	67.40	66.15	0	0
Jul	69.15	67.90	0	0
Sep	70.50	69.60	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	10.90	11.06	11.03	10.69
Oct	11.19	11.31	11.38	11.07
Mar	10.93	11.01	11.07	10.81
May	10.82	10.87	10.83	10.80
Jul	10.68	10.73	10.80	10.68
Oct	10.52	10.58	0	0

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Jul	59.12	58.47	59.50	58.65
Oct	58.55	58.10	58.78	58.15
Dec	58.17	57.92	58.38	57.90
Mar	59.25	58.97	59.31	58.97
May	59.88	59.70	59.99	59.80
Jul	60.40	60.22	60.40	60.40
Oct	60.15	59.90	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	104.55	106.00	105.85	104.50
Sep	107.75	109.00	108.80	107.60
Nov	110.80	111.80	111.70	110.60
Jan	112.40	113.10	113.00	112.20
Mar	114.00	114.60	114.50	113.90
May	115.00	115.60	0	0
Jul	115.00	115.60	115.00	115.00
Sep	115.00	115.60	0	0
Nov	115.00	115.60	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)			
Jun.14	Jun.11	mnth ago	yr ago
1648.9	1652.8	1661.7	1590.8

DOW JONES (Base: Dec. 31 1974 = 100)				
	Jun.11	Jun.10	mnth ago	yr ago
Spot	119.89	119.93	119.99	119.91
Futures	120.03	120.56	121.63	120.00

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Jul	584/4	588/6	589/0	584/0
Aug	582/4	586/4	586/0	581/4
Sep	580/6	583/4	583/4	580/2
Nov	581/0	583/4	584/2	580/4
Jan	586/6	589/4	591/0	586/4
Mar	594/4	596/0	597/4	594/4
May	596/4	600/0	599/4	596/4
Jul	599/0	601/6	602/0	599/4

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Jul	20.45	20.48	20.55	20.38
Aug	20.58	20.58	20.68	20.52
Sep	20.69	20.72	20.80	20.64
Oct	20.81	20.85	20.91	20.78
Dec	21.04	21.07	21.15	21.00
Jan	21.15	21.18	21.24	21.11
Mar	21.36	21.39	21.45	21.30
May	21.53	21.60	21.60	21.50

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Jul	186.4	187.5	187.4	186.2
Aug	185.7	186.6	186.6	185.5
Sep	185.3	186.2	186.0	185.0
Oct	185.1	185.9	185.7	185.1
Dec	185.8	186.3	186.3	185.5
Jan	185.7	186.4	186.2	185.6
Mar	186.0	186.9	186.5	186.0
May	187.2	187.6	187.2	186.9

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Jul	214/4	215/0	216/2	213/6
Sep	220/0	220/2	221/4	218/4
Dec	227/0	226/6	228/4	225/2
Mar	234/6	234/2	236/0	232/6
May	239/6	239/2	241/0	238/4
Jul	243/2	242/4	244/0	241/0
Sep	241/0	240/4	0	0
Dec	240/2	238/4	241/0	238/6

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Jul	285/6	283/6	288/4	282/6
Sep	289/4	288/4	290/4	286/0
Dec	300/0	300/0	301/4	299/0
Mar	306/0	306/2	306/4	304/0
May	304/4	304/4	305/4	304/4
Jul	304/2	304/4	305/0	303/4

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jun	77.900	77.925	78.100	77.850
Aug	75.600	75.950	76.000	75.400
Oct	75.700	75.900	75.950	75.550
Dec	75.575	75.925	76.000	75.500
Feb	75.225	75.375	75.600	75.200
Apr	76.350	76.500	76.600	76.250
Jun	73.400	73.625	73.600	73.350

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Jun	51.225	50.500	51.750	50.700
Jul	48.550	47.975	48.975	48.000
Aug	46.275	46.150	46.850	46.125
Oct	40.800	40.825	41.450	40.725
Dec	41.125	41.325	41.800	41.000
Feb	41.050	41.000	41.700	41.050
Apr	40.200	40.500	40.750	40.200
Jun	45.900	46.800	46.200	45.800

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Jul	34.250	33.950	35.250	33.825
Aug	33.600	33.500	34.550	33.275
Feb	39.625	39.625	40.000	39.475
Mar	39.025	39.050	39.550	39.025
May	40.700	40.700	0	0
Jul	41.300	41.300	0	0

LONDON STOCK EXCHANGE

Futures drive equities to testing point

By Terry Byland, UK Stock Market Editor

NERVES WERE drawn as tight as piano wires on the UK equity trading desks yesterday as the London market tested the higher end of its trading range amid heavy arbitrage dealings between blue chip equities and stock index futures. The FT-SE 100 Index closed at 2,885.5, a gain of 23.7 points bringing it to the very peak of existing investment confidence, and leaving the market poised on the edge of uncertainty.

UK stocks were also responding to renewed optimism on interest rates ahead of tonight's important Mansion House speech in the City of London by Mr Kenneth Clarke, the UK chancellor of the exchequer. A cut in rates in France, hard on the heels of the similar move in Italy on Friday, raised hopes in London that the new chancellor might seize the opportunity to reduce UK base rates soon, if not tonight.

Strategists also pointed out that the wider political backcloth might have become more favourable for equities, in spite of the uncertainties overhanging the position of Mr John Major, the UK prime minister. Political commentators in the UK press have suggested that the government, and the new chancellor, are focusing on cuts in public expenditure and that increases in taxation are regarded as less likely.

But traders warned that much of yesterday's business in equities was driven by arbitrage activity spurred by the expiry this Friday of both the FT-SE 100 June future contract and also the range of stock index options.

Trading volume in equities was slow to develop until the futures markets got into their stride; Seaq volume was still under 90m shares at 10.00am. By the close the total had reached 500.1m shares, against 528.9m on Friday when retail, or customer, business was worth £1.17bn.

At best, the Footsie reached 2,891.6 yesterday, only about 2.2 per cent below the peak attained at the beginning of March. The FT-SE Mid 250 Index, although driven less strongly than the Footsie yesterday, rose 10.3 to an all-time peak of 3,213.2.

Caution was expressed by several market strategists, who pointed to this week's heavy list of UK economic data. While there was little immediate response to the news yesterday that factory gate output prices had risen by an annualised 4 per cent in May, London markets still have to face the latest data on UK industrial production, today, and retail sales, wages, unemployment, money supply and the retail price index, all due this week.

Further doubt over yesterday's upsurge in share prices was cast by clear signs that the marketmakers had been "caught all the wrong way", as one dealer expressed it. They were trying to sell the June stock index future and buy the underlying equities from one another just when, unfortunately, all their rivals wanted to do the same to them.

Amid this confusion, it was hardly surprising that many analysts continued to warn against the high valuations now showing in the UK equity market, in tandem with a somewhat unimpressive round of company results in the past fortnight.

While the stock market may hang fire today as it waits for the chancellor to address the City dignitaries, the Footsie is likely to be tested strongly when equities open on Wednesday.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ASDA Group†	5,600	70¾	-½
Abbey National†	1,700	418	+3
Albert Fisher	238	67	+1
Allied-Lyons†	1,200	545	+15
Anglian Water†	2,000	468	+2
Argos	52	312	
Argyll Group†	1,100	344	+1
Arjo Wiggins†	710	192	
Ass. Brit. Foods†	240	488	+1
Ass. Brit. Ports	15	428	+1
BAA†	1,600	734	
BAT Inds.†	2,700	438	+6½
BET	13,000	111	+3
BICC	772	393	+5
BOC†	693	678	+6
BP†	9,300	310	-4
BPB Inds.	300	228	+8
BT†	5,900	423½	+10½
BTR†	2,800	368	+½
Bank of Scotland†	682	148	+2
Barclays†	4,200	465	-2
Bass†	1,800	488	+21
Blue Circle†	445	262	+3
Booker	151	388	
Boots†	2,600	435	-2
Bowater†	609	480	-1
Brit. Aerospace	2,900	400	-10
British Airways†	1,300	294	+2
British Gas†	5,600	297	+4½
British Land	320	311	-9
British Steel†	7,800	103½	
Bunzl	137	127	+1
Burmah Castrol†	478	687	
Burton	2,500	84	
Cable & Wire.†	1,000	749	+4
Cadbury Schweppes†	2,900	465	+6
Calor Group	27	244	
Carlton Comms.†	210	775	+2
Coats Viyella†	583	228	+2
Comm. Union†	387	597	+11
Cookson	129	207	+1
Courtaulds†	871	540	+8
Dalgety	334	450	+7

	Volume 000's	Closing Price	Day's change
De La Rue†	86	683	+1
Dixons	2,000	215	+1
Eastern Elec.	780	467	+7
East Midland Elect.	1,800	456	+6
Eng China Clays	835	427	+2
Enterprise Oil†	811	474	-2
Eurotunnel Units	80	422	-6
FKI	1,100	141½	+2½
Fisons†	11,000	161½	+6½
Foreign & Col. I.T.	715	230	+1½
Forte†	8,300	216½	+3
Gen. Accident†	1,400	583	+2
General Elect.†	4,100	340	+2½
Glaxo†	1,400	602	+1
Glynwed Int.	112	289	+1
Granada†	3,300	408	+3
Grand Met.†	2,400	418	+7
GUS 'A'†	269	1890	+7
GRE†	1,800	181	+4
GKN	836	488	+4
Guinness†	1,700	493	+9
HSBC (75p shs)†	1,700	650	+6
Hammerson 'A'	238	368	-5
Hanson†	8,800	227¼	+¼
Hanson Warrants	1,800	22½	-¼
Harrisons Crosfield	208	178	+3
Hillsdown	869	147	
IMI	149	284	+3½
ICI†	5,600	707	+16
Inchcape†	1,100	587	+8
Johnson Matthey	113	458	-2
Kingfisher†	1,400	586	-4
Kwik Save†	107	736	-4
Ladbroke†	3,300	178	-7
Land Securities†	563	580	-2
Laporte	322	644	
Legal & General†	1,200	466	+9
Lloyds Abbey	1,300	453	+5
Lloyds Bank†	795	574	+6
LASMO†	1,800	160	-½
London Elect.	784	485	+10
Lonrho	708	113	-½
Lucas	427	137	

	Volume 000's	Closing Price	Day's change
MB Caradon†	1,100	288	+5
MEPC	276	422	-3
MFI	308	135	
Manweb	175	522	+2
Marks & Spencer†	1,800	341	+1
Midlands Elect.	71	478	+6
Morrison (Wm.)	89	155	
NFC†	337	259	+2
NatWest Bank†	6,600	475	+7
National Power†	1,400	388	+2
Next	853	161	-1
North West Water†	1,200	468	+16
[illegible]			
Rolls Royce	2,600	151	-1½
Rothmans†	388	628	+4
Ryl Bk Scotland†	604	290	+3
Royal Insurance†	709	288	+8
Saatchi	207	165	-1
Sainsbury†	1,400	486	+1
Scottish & New.†	354	472	+8
Scot. Hydro-Elect.†	444	340	-1
Scottish Power†	441	317½	+½
Sears†	2,100	99	+½
Sedgwick	3,300	180	+4
Seeboard	113	518	+8
Severn Trent Water†	771	479	+2
Shell Transport†	2,400	625	+5

	Volume 000's	Closing Price	Day's change
Siebe†	1,000	489	-4
Slough Ests	2,100	206	+1
Smith (W.H.) A	1,100	439	-4
Smith & Nephew†	3,800	141½	-½
SmKl Beecham†	2,200	436	+6½
SmKl Beecham Uts.†	704	391	+7
Smiths Inds.	316	380	-2
Southern Elect.†	482	484	+7
South Wales Elect.	59	545	+4
South West Water	622	486	+1
South West Elect.	142	477	+1
Southern Water	301	503	+4
[illegible]			
Utd. Newspapers	238	589	+2
Vodafone†	1,800	441	+4
Warburg (SG)	410	724	+5
Wellcome†	2,000	724	+6
Welsh Water	393	556	+7
Wessex Water	160	558	+2
Whitbread 'A'†	1,500	487	+8
Williams Hldgs.†	1,200	302½	+1½
Wills Corroon	321	207	-3
Wimpey	696	175	-3
Wolseley	125	830	
Yorkshire Elect.	374	512	+10
Yorkshire Water	26	474	-2
Zeneca†	4,200	617	+1

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Zeneca pressures continue

WORRIES over the £1.3bn rights issue continued to overshadow the two classes of Zeneca stock, in spite of highly encouraging news that one of the group's key new drugs, Zestril, had been approved for distribution in the US by that country's Food and Drug Administration.

Zestril is used in the treatment of congestive heart failure. Zeneca "old" shares managed a minor improvement at 617p after relatively high turnover of 4.2m, while the "new" nil-paid stock settled a penny easier at 17p. There were suggestions in the market that moves to relax US rules on trading in Zeneca shares by marketmakers involved in the rights issue may well be successful.

Marketmakers at firms involved in the issue are at present precluded from an "active" trading role in Zeneca shares if the stock price falls to within 10 per cent of the "rights" price in the five days prior to the close of the offer.

ICI surged ahead 16 to close at a record post-Zeneca demerger high of 707p. Turnover was a hefty 5.6m shares and said to have been boosted by keen local and US buying interest.

Shell in demand

Another slide in international crude oil prices, down more than $1 a barrel to around $17.60 since last week's Opec meeting in Geneva, brought renewed pressure on the oils sector, with the exception of Shell Transport.

Marginally easier during early trading, Shell rallied strongly during the afternoon as the company gave what one oil sector analyst described as "a powerful and impressive" presentation to London investment specialists.

Shell delivered a similar message during the past two weeks to a number of high-powered European and US institutions, which saw the share price race up to a record 630p.

The group was said to have emphasised again its determination to carry through a policy of cost-cutting and portfolio rationalisation. "The company is seen as adopting a ruthless attitude to all its divisions; perform or be prepared to be slimmed down, sold off or chopped," said an analyst who attended the meeting.

At the close Shell stood 5 higher at 625p after 2.4m turnover. Other leading oils were hit by the slide in crude prices. British Petroleum declined 4 to 310p, apparently affected by profit-taking from the US, where some of the income funds that bought the shares aggressively last year were said to be "top-slicing". Turnover in BP was a hefty 9.3m.

The two leading UK oil exploration and production stocks also encountered selling. Enterprise Oil lost 2 to 474p and Lasmo, turfed out of the FT-SE 100 Index last week, eased further to 160p.

BET active

Turnover in business services group BET rose to a hefty 13m, its highest daily total for more than six months after the board confirmed market expectations of a cut in the final dividend.

Total dividend for the year to March 1993 is to be 3.25p, compared with 6.5p last year. Losses were sharply reduced to £9.8m, against £448.4m.

With the dividend cut already discounted by many in the market the shares, after dipping to 103p, rose to end a net 3 ahead at 111p, assisted by the strong market trend and a robust presentation. Analysts, however, remain sceptical about prospects for profits growth this year and one said: "The jury is still out on this one even though the management has done all the right things to restructure the company."

Modest, if unremarkable, confidence surrounded most food companies. Cadbury-Schweppes enjoyed the added filip of favourable weekend press comment to move up 6 to 465p, having fallen back from a high of 469p in a volume of 2.9m. Unilever put on 13 to close at 1044p and Dalgety added 7 to reach 450p. United Biscuits increased its price by 1 to 389p while Kwik Save slid the opposite way to lose 4 at 736p after a sell note.

The official launch in the US of its anti-inflammatory asthma drug Tilade triggered a surge of exceptionally heavy activity in Fisons shares.

Turnover of 11m was the heaviest single-day's business in the stock since early-April when the Fisons share price tumbled almost 13 per cent after the company cancelled further development work on another asthma drug, Tipredane.

Fisons' stock price touched 163p early in the session before slipping back to finish 6½ higher on balance at 161½p.

As well as the buying prompted by Tilade's US launch, dealers said there remained a strong undercurrent of takeover speculation surrounding Fisons, which last week dropped out of the prestigious FT-SE 100 Index. Prominent among a number of big names said to be monitoring Fisons' progress is SmithKline Beecham, the Anglo-American pharmaceuticals group. SmitKline "A" moved up 6½ to 436p on good turnover of 1.9m.

BT shares gave a positive response to news of the pricing of the first and second instalments of the BT3 issue along with details of investor incentives. The shares forged ahead 10½ to 423½p on turnover of 5.9m as the hardcore marketing of the issue to international and domestic investors got under way.

Fall-out from the DIY price battle was blamed for the decline, against the day's trend, in Kingfisher shares from 590p to 586p. Kingfisher, which owns the B&Q chain, was pitted against an aggressive pricing campaign from Texas Homecare over the weekend.

Analysts also fear for the long term health of DIY – especially after Ladbroke Group yesterday told its shareholders that Texas's performance had disappointed in recent weeks.

"The underlying trend is pretty weak," said one stores specialist.

The combination of tough pricing and fears for overall DIY strength is a potent one for Kingfisher, which is estimated to derive 35 per cent of its profits from DIY. Another analyst said the dip was also partly attributable to a general slide in consumer spending.

Elsewhere in companies with a DIY interest, W.H. Smith "A" slipped 4 to 439p and Boots, which shares the Do-It-All venture with Smiths, gave up 2 to close at 435p. But J.Sainsbury, managed to follow some of the market's fortunes and push up one to 486p.

Hefty switching out of Barclays and into NatWest saw the latter up 7 at 475p but the former 2 easier at 465p.

A Kleinwort Benson buy recommendation triggered keen buying of Commercial Union, 11 up ast 597p.

East Midland Electricity, the first of the regional electricity companies to report preliminary results, set a high standard by lifting the dividend by 14 per cent. The shares moved up 6 to 456p. Specialists said the "recs" offered much less regulatory risk than other utilities.

North West Water shot up 16 to 468p as marketmakers scrambled to cover short positions and to accommodate special cum scrip dividend buying.

After a day of light trading, property companies fell victim to last-minute nerves in the final hour or so of the market. British Land fell back 9 to finish the day at 311p; MEPC lost 3 to 422p.

British Gas shrugged off worries about the recent weakness in oil prices and moved up 4½ to 297p following a buy recommendation issued by Kleinwort Benson Securities. Turnover in Gas reached 4.7m shares.

Kleinwort's oil and gas team said fears over the forthcoming Monopolies & Mergers Commission report "are already discounted," pointing to the yield relative which is close to a five year high.

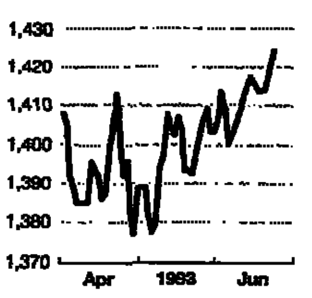
"Unregulated upstream assets are set to provide significant growth leading to a progressive re-rating of the shares which, on a 6 per cent-plus yield, are attractive," Kleinwort said.

Bass moved up 21 to reach 488p while Allied Lyons went ahead 15 to close at 545p, both in moderate trading. After falling back slightly towards the end of trading Grand Metropolitan put on 7 at 418p in a volume of 2.4m.

MARKET REPORTERS:
Steve Thompson,
Joel Kibazo,
Christine Buckley.

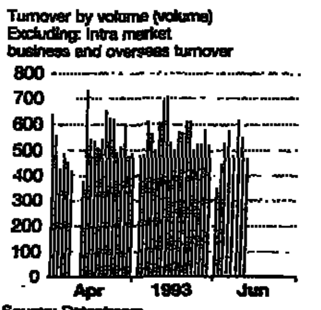
■ Other statistics, Page 24

FT-A All-Share index



Equity Shares Traded

Turnover by volume (volume)
Excluding: Intra market business and overseas turnover



Source: Datastream

Account Dealing Dates

*First Dealings:		
Jun 7	Jun 21	Jul 5
Option Declarations:		
Jun 17	Jul 1	Jul 15
Last Dealings:		
Jun 18	Jul 2	Jul 16
Account Day:		
Jun 28	Jul 12	Jul 26

*New time dealings may take place from 8.30am two business days earlier.

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (122).
BRITISH FUNDS (1) Treas. 7¾pc '06, BANKS (14) Asahi, Bk. Scot., Dai Ichi, Fuji, Lloyds, Mitsubishi, Ottoman, Sakura, Sanwa, Sumitomo, TSB, Tokai, Toyo, Yasuda, BREWERS (1) Highland, BLDG MATLS (3) Epwin, Haywood Williams, Manders, BUSINESS SERVS (5) Br. Data Mngemt., Comac, Corporate Servs., CONTG & CONSTRCN (3) Eve, Gleeson, Torex Hire, ELECTRICALS (5) Beales Hunter, Bulgin, Burnfield, Critchley, Oxford Instrs., ELECTRICITY (2) Natl. Power, PowerGen, ELECTRONICS (7) Control Techs., Enterprise Computer, Farnell, GEC, INSTEM, Logica, Macro 4, ENG GEN (9) Beverley, FKI, Fairey, Haden MacLellan, Meggitt, Rotork, Senior, TI Group, FOOD MANUF (1) Carr's Milling, FOOD RETAILING (3) M & W, Park, HOTELS & LEIS (5) Forte, Kunick 8¼pc Pf., Millwall, Rank Org. 8¼pc Pf., Sunleigh, INSCE BROKERS (2) Lloyd Thompson, Sedgwick, INSCE COMPOSITE (1) Mitsui, INV TRUSTS (78) MEDIA (6) Anglia, Anglia TV, Fleetech, Haynes, Ulster TV, Walmoughs, MERCHANT BANKS (1) Singer & Friedlander, MTL & MTL FORMING (1) Kobe Steel, MISC (6) Fairway, Heath (S), Osborne & Little, Relyon, Savage, Silentnight, MOTORS (6) Central Motor Auctions, Cowie, Evans Halshaw, Henlys, Lex, Motor World, Perry, Sanderson Murray, Volkswagen, OIL & GAS (1) Ramco, OTHER FINCL (10) Cater Allen, EFT, Edinburgh Fd. Managers, Invesco MIM, Do 9pc '95-00, Mitsubishi, Provident Fincl., Smith New Court, St James's Place Cap., Tns, OTHER INDLS (3) Elkem, McKechnie, Vinten, PACKG, PAPER & PRINTG (3) Britton, Filofax, Kleariold, PROP (5) Cap. & Regional, Clayform, Hemingway, Tops Ests., Warnford, STORES (4) Courts, In Shops, Stylo, World of Leather, TEXTS (4) Parkland, Shiloh, Stirling, Toray, MINES (3) Cons. Murchison, Navan, Do 5pc Cv.

NEW LOWS (18).
BRITISH FUNDS (2) Exch. 13¼pc '94, Treas. 14½pc '94, CONGLOMERATES (1) Ebby, CONTG & CONSTRCN (2) BB & EA, McLaughlin & Harvey, ELECTRICALS (1) Electrolux, ELECTRONICS (1) Pacer Systems, ENG GEN (1) FCT, FOOD RETAILING (1) Low, HEALTH & HSEHOLD (3) London Intl., Novo Nordisk, UniChem, INSCE BROKERS (1) Marsh & McLennan, MEDIA (1) Allied Radio 5pc Cv. '01, OTHER FINCL (1) Cambridge, PACKG, PAPER & PRINTG (2) Microgen, St Ives, TRANSPORT (1) BAA.

FINANCIAL TIMES EQUITY INDICES

	June 14	June 11	June 10	June 9	June 8	Year ago	* High	* Low
Ordinary share	2262.9	2244.0	2238.5	2240.5	2224.5	2028.4	2299.5	2124.7
Ord. div. yield	4.16	4.12	4.13	4.13	4.16	4.57	4.52	4.07
Earning yld % full	4.93	4.83	4.84	5.25	5.29	6.70	6.38	4.83
P/E ratio net	25.92	26.55	26.47	24.01	23.85	18.70	26.55	19.40
P/E ratio nil	23.95	24.51	24.43	22.40	22.24	17.35	24.51	18.14
Gold Mines	170.3	179.6	176.6	175.9	184.3	104.3	202.7	60.0

*for 1993. Ordinary share index since compilation: high 2299.5 10/3/93 - low 49.4 26/6/40
Gold Mines Index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2244.8	2253.4	2257.0	2259.1	2258.4	2264.0	2267.1	2262.3	2261.4	2267.3	2244.5

Volume	June 14	June 11	June 10	June 9	June 8	Year ago
SEAQ Bargains	29,297	25,481	26,870	28,043	26,618	21,281
Equity Turnover(£m)†	-	1173.4	1353.8	1484.4	1174.3	681.2
Equity Bargains†	-	29,736	30,945	32,414	30,976	23,814
Shares traded (mil)†	-	481.6	556.7	613.4	480.1	305.3

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2885.5 +23.7	3213.2 +10.3	1424.50 +9.73

[illegible]

Hourly movements

[illegible]

FT-SE Actuaries 350 Industry Baskets

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
Treas 12½pc 1993‡‡	100⅝xd	—	103⅛	100⅛	12.42	5.62
Funding 6pc 1993‡‡	100	—	100¼	99⅞	6.00	5.69
Treas 13¾pc 1993‡‡	103½	-⅛	108⅛	101½	13.29	5.59
8½pc 1994	101⅞		102⅞	101⅞	8.35	5.65
14½pc 1994‡‡	108⅛	-⅛	108¼	106⅛	13.86	5.58
Exch 13½pc 1994	108⅝	-⅛	109⅛	106⅝	12.66	5.61
Treas. 10pc Ln. 1994‡‡	104⅛	—	105⅞	104⅛	9.60	5.68
Exch 12½pc 1994	107⅞	—	110⅛	107⅞	11.66	5.73
Treas 9pc 1994‡‡	104⅛	—	105⅞	103⅞	8.64	5.88
12pc 1995	109⅛	—	111⅞	108⅝	11.00	6.00
Exch 3pc Gas 90-95	95⅞	+¼	96⅛	94	3.13	5.47
10¼pc 1995	107⅛xd	—	109⅞	107⅛	9.61	6.20
Treas 12¾pc 1995‡‡	114⅛	—	116⅞	113⅛	11.18	6.35
14pc 1996	117⅛	—	120⅝	117⅛	11.93	6.63
15¼pc 1996‡‡	121⅞	—	125⅝	121⅞	12.51	6.74
Exch 13¼pc 1996‡‡	116⅞	—	120⅛	116½	11.34	6.76
Conversion 10pc 1996	109½	—	111½	108⅞	9.13	6.81
Treas 13¼pc 1997‡‡	119⅛	—	122⅛	118⅞	11.10	7.05
Exch 10½pc 1997	111⅛	+⅛	113⅝	110⅛	9.45	7.00
Treas 8¾pc 1997‡‡	106⅛	—	108⅞	105½	8.25	7.02
Exch 15pc 1997	128⅛	+⅛	132⅞	127⅞	11.70	7.30
9¾pc 1998	109⅞xd	+⅛	112⅝	109⅛	8.88	7.21
Treas 7¼pc 1998‡‡	100⅝	+⅛	103¼	99⅞	7.20	7.04
7¼pc 1998 A‡‡	100⅞	+⅛	101⅞	99⅞	7.20	7.07
Treas 6¾pc 1995-98‡‡	98⅞	+⅛	101	97⅞	6.83	7.02
14pc '98-1	125⅞	+⅛	129½	125⅛	11.12	7.58
Five to Fifteen Years						
Treas 15½pc '98‡‡	134⅞	+⅛	138⅞	133⅞	11.53	7.46
Exch 12pc 1998	119⅛	—	122⅝	118⅝	10.07	7.60
Treas 9½pc 1999‡‡	109⅛xd	—	112½	108⅛	8.71	7.45
Exch 12¼pc 1999	120⅞	—	124⅞	120⅛	10.14	7.70
Treas 10½pc 1999	113⅞	—	117⅞	112⅞	9.23	7.54
Conversion 10¼pc 1999	113⅛	—	117⅞	112⅛	9.06	7.61
9pc 2000‡‡	107⅛	—	110⅞	106	8.39	7.58
Treas 13pc 2000	126⅞	+⅛	131	125⅞	10.25	7.98
10pc 2001	111⅞	+⅛	116⅞	108⅞	8.94	7.85
9¾pc 2002	111⅛	+⅛	114⅞	108⅛	8.77	7.99
8pc 2003‡‡	100⅛	+⅛	103⅞	97⅛	7.96	7.90

BRITISH FUNDS - Cont.

Notes	Price £	+ or -	1993 high
10pc 2003	113	+⅛	116⅛
Treas 11½pc 2001-4	118⅞	+⅛	122⅛
Funding 3½pc '99-4	72⅛	+⅛	74⅞
Conversion 9½pc 2004	109⅛	+⅛	112⅛
9½pc 2005	109⅝	+⅛	112⅞
Treas 12½pc 2003-5	127⅞	+⅛	131⅛
7¾pc 2006‡‡(£35pd)	31⅛	+⅛	31⅞
8pc 2002-6‡‡	99⅞	+⅛	101⅛
Treas 11¾pc 2003-7	122	+⅛	125⅞
Treas 8½pc 2007 ‡‡	101⅞xd	+⅛	104⅛
13½pc '04-8	135⅞	+⅛	139⅛
Over Fifteen Years			
Treas 9pc 2008 ‡‡	105⅞	+⅛	108⅞
8pc 2009	97⅛	+⅛	99⅛
Conv 9pc Ln 2011 ‡‡	105⅞xd	+⅛	108⅛
9pc 2011 C‡‡	104⅞xd	—	107⅞
Treas 9pc 2012‡‡	105⅞	+⅛	108⅛
Treas 5½pc 2008-12‡‡	74⅞	+⅛	76⅞
Treas 8pc 2013‡‡	95⅛	+⅛	97⅛
7¾pc 2012-15‡‡	89⅛	+¼	97⅞
Treas 8¾pc 2017‡‡	102⅛	+¼	105⅞
Exch 12pc '13-'17	131⅞	+⅛	135⅞
Undated			
Consols 4pc	45⅞	+⅛	46⅛
War Loan 3½pc‡‡	41⅛	+⅛	42⅛
Conv 3½pc '61 Aft.	62¼	-⅛	63
Treas 3pc '66 Aft.	34⅞	—	35⅞
Consols 2½pc	30⅞	+⅛	31⅞
Treas. 2½pc	29⅞	-⅛	30⅞

BRITISH FUNDS - Cont.

[illegible]

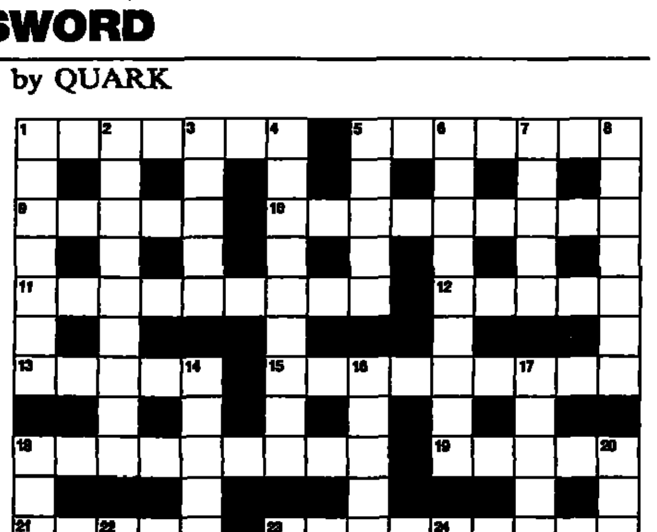
OTHER FIXED INTEREST

[illegible]

Continued on next page

CROSSWORD

No.8,176 Set by QUARK

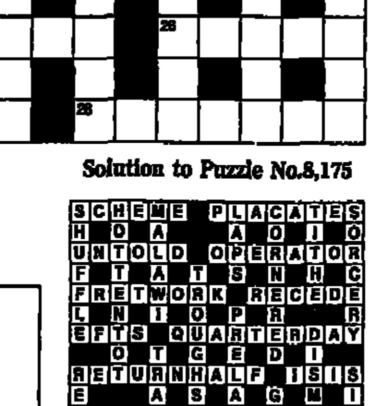


ACROSS
1 Energy half wasted in the city lower down? (7)
5 Sulphur immersed in acid? One keeps out of the way! (7)
9 Some shun methods not fulfilled (5)
10 Does he keep you (say) in good shape? (9)
11 Get lost taking in unusual glen in an odd way (9)
12 Irregular river leading to the Kent area (5)
13 One in the road surpassed in speed (5)
15, 18, 19 Participating in neat manoeuvres, facing danger boldly (6,3,4,2,3,5)
21 Gold's about to fade. A word on parting? (5)
23 Depressed emir's to change, having the necessary power (9)
25 Removing the gaps it becomes a motorway junction (9)
26 It's fairly wet getting round in the fog (5)
27 The highest achievement is always established (7)
28 Lena's excited about silver dish (7)

DOWN
1 Brother taking in university is a tough person (7)
2 Two men following the miners referring to numbers (9)
3 Bell encountered in London? (5)
4 Nomadic African, tho' roaming, to put in temporary accommodation (9)
5 Put in request to put to practical use (5)
6 Bird island covered with rubbish (9)
7 The fabric of work round the west (5)
8 Stone cast indiscriminately at detective (4-3)
14 Rake a plot over with universal acclaim (mostly) (9)
16 Holds drawer of money order not to make a move (4,5)
17 An article about the thief without hesitation is pulsating (9)
18 Money that's required to join the club (7)
20 Peter's upset about a hundred royal staff (7)
22 Illegal broadcaster lacking power is furious (5)
23 Choral composition assembled around part of bible (5)
24 One of the Roman figures he's about to add up (5)

JOTTER PAD

Solution to Puzzle No.8,175



EQUITY FUTURES AND OPTIONS TRADING

A TECHNICAL squeeze in Footsie futures sent the June contract sharply ahead, breaking out of its recent trading range ahead of its expiry on Friday, writes Joel Kibazo.

Futures opened in a subdued mood but gathered momentum from early buying, amid talk of a possible reduction in British base rates to follow a similar move in France.

Although it had little in the way of firm offers, June was soon squeezed forward, pulling the underlying cash market higher.

Producer price index figures (PPI) in line with forecasts only served to increase demand and the contract broke through 2,900.

The day's high of 2,904 was reached just after 2pm, with sentiment boosted by a firm UK gilts sector.

Dealers said there had been some arbitraging between the cash and futures markets and there was also a significant amount of rolling forward into the September contract, which takes over as the forward contract on Monday. A strong premium to cash was maintained throughout the session.

Following a bout of profit-taking, June finished at 2,895, a 10-point premium to cash. Volume in the contract was 11,964 lots, while just over 5,000 were dealt in the September contract.

In contrast, the traded options remained dull, with a total of 24,215 lots dealt, compared with Friday's 26,314 contracts.

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs	17xd	-⅛	20 7/16	15 9/16	14,227	2.5
Allegheny & W ♥	581p	-8	617p	398p	301.9	3.2
Amdahl	368p	—	691p	302¼p	413.2	0.9
Amer Cyanamid	34½	—	38⅝	31¾	3,119	3.0
Amer Express	19¼xd	+⅛	19½	14⅝	8,354	3.3
Amer T & T	40⅝xd	+¼	40⅞	33⅛	54,026	2.0
Ameritech	50	+½	52⅝	46	21,891	4.8
BankAmerica	28⅝xd	+⅛	38⅛	27⅛	9,978	3.1
Bankers NY	45xd	-⅛	51⅛	42⅞	3,611	4.4
Bell Atlantic	37⅛	+¼	39⅛	32¾	16,128	4.5
BellSouth	34⅞	+⅛	38⅝	32⅞	17,228	5.0
Bethlehem Steel ♥	12¼xd	+⅛	13¾	10	1,106	-
Bowater	1326pxd	+33	1682p	1293p	480.5	1.9
CPC	27⅛xd	+⅛	34⅝	35	4,136	2.9
Cadiz Land Inc ♥	186p	+9	180p	53p	-	-
California Engy	1356p	—	1478p	1086p	247.2	-
Chase Manhattan	19¼xd	-⅛	24½	17⅞	3,004	4.0
Chrysler	30⅜xd	+⅛	30⅞	21¼	8,876	1.2
Citicorp	17⅞xd	+⅛	20⅛	13⅛	6,557	-
Colgate-Palm	35¼xd	—	45⅝	35⅛	5,808	2.2
Cont'l Bank	1497p	—	1877p	1276p	1,512	2.5
Dana	35¼xd	+½	35⅞	29½	1,812	2.9
Data General	646p	—	951p	593p	178.3	-
Decora Inds ♥	137p	+6	146p	109p	-	-
Dun & Brad	37⅛	+⅛	42⅞	37⅛	6,728	4.1
Eaton	58¼	-1⅛	60½	50⅝	2,018	2.4
Echlin	17¼xd	+⅛	18⅞	15⅛	988.6	2.6
FPL	24⅛xd	—	27⅝	23¼	4,439	6.4
Ford Motor	39⅛xd	-⅛	39½	38⅛	17,145	1.8
Gen Elect	61⅝xd	+⅛	62⅛	53⅞	52,630	2.6
General Host ♥	573p	+3	723p	565p	-	3.9
Gillette	31⅛xd	-⅛	42⅝	31½	7,018	1.7
Hasbro	20⅞	—	20⅞	20⅞	1,818	0.7
Honeywell	23⅞xd	—	24½	20½	3,271	2.4
Houston Inds	28⅞	—	33½	29¼	3,739	6.5
Ingersoll-Rand	21⅞xd	-⅛	25	19⅛	2,278	2.0
Lockheed	41⅛	+⅝	42⅞	35⅛	2,923	3.2
Lowe's h	2263p	-114	2452p	1573p	1,865	0.8
Merrill Lynch	48⅛xd	-⅛	50⅞	37	4,945	1.6
Morgan (JP)	42¾xd	+⅛	48½	38⅛	8,181	3.5
Morris (Philip)	32⅛xd	+⅛	52⅝	28½	28,837	5.1
NYNEX	57⅞	+⅝	64⅛	52¼	11,953	5.0
Pall	11⅝xd	—	15	11	1,346	1.7
Pennzoil	40⅞xd	-1¼	43⅛	31½	1,857	4.6
Quaker Oats	47⅞xd	-⅛	48¾	39⅛	3,447	2.5
Rockwell	21⅛xd	—	22⅞	18⅛	4,668	2.9
Rep NY	31⅛xd	-⅛	37⅛	29¼	1,825	2.2
Sears, Roebuck	34½xd	+¼	37⅛	28⅞	11,912	2.9
Sthwestern Bell h	25½	+¼	28¼	23⅛	16,293	3.7
Sun Co.	18⅛xd	—	21⅛	14¾	1,713	7.0
Tenneco	30⅛xd	-⅛	33½	25½	5,073	3.4
Texaco	41¼xd	-1	44¼	37⅞	10,873	4.9
Time Warner ♦	24¾xd	+⅛	26	18⅝	9,195	0.7
Unitab ♥	410p	—	450p	358p	186.7	-
US West	29	+¼	30⅛	24¾	12,019	4.6
Varity	2169p	+25	2260p	1626p	695.9	-
WMX Technologies	23xd	+⅛	27⅛	19¾	11,246	1.6
Whirlpool	3527pxd	+25	3720p	2824p	2,465	2.2
Woolworth ♥	18⅞	+⅛	21½	18⅛	2,483	3.7

CANADIANS

Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbot Energy ♥	2p	—	2p	2p	-	-
Amer Barrick	1369p	-74	1543p	890½p	3,889	0.6
Bk Montreal h	12⅝	—	13½	11⅛	3,194	4.3
Bk Nova Scot	1232p	—	1438p	1111p	2,558	4.5
BC Gas ♥	741p	—	847p	723p	-	4.0
BCE	23	—	26⅛	20⅞	7,844	5.7
Brascan ♥	575p	-19	721p	454p	474.2	9.5
Breakwater ♥	11½p	—	18½p	10p	7.31	-
Can Imp Bk	1590p	+19	1618p	1228p	3,159	4.2
Can Pacific	1047p	—	1095p	810p	3,339	1.5
[illegible]						

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1993 high	1993 low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv	♣†□	208½xd	+2	201	183	2.9	238.0	15.8
Warrants	□	47	+1	49	38	-	-	-
Scot Mortgage	♣□	195½	+2½	201	178	2.6	228.5	13.9
Scot National Inc	♣K□	84	+½	85½	83	11.2	-	-
Cap	□	28	+1	28	16	-	63.7	60.8
Stepped Pf		151¾	-½	165¼	150¼	6.0	-	-
Zero Div Pf		211	+1	212	207	-	-	-
Warrants		3½	—	5	3	-	-	-
Scot Values	†a□	82½	+½	82½	71	2.7	82.0	0.0
Sec Alliance	♣†	1469	+14	1503	1390	3.1	1606.3	8.6
Second Consid	□	140	—	141	88	-	199.2	30.0
Second Market	♣a	333	+2	333	256	0.8	355.8	6.6
Sec Tst Scot	♣□	84	+½	84½	74½	4.8	83.8	0.2
Select Assets	□	127	+1	130	109½	1.2	173.4	26.8
Eq Ind Ser1		133	+1	134	128	4.0	-	-
Eq Ind Ser2		133	+1	134	128	4.0	-	-
SHIRESCOT	♣†	130	—	130	104	5.0	128.0	-1.6
Staines	♣M	257xd	—	282	231	8.2	255.6	0.3
11pc Cv Ln '03/04		£127½	—	£131½	£115½	8.6	-	-
Stan Select		128	—	136	97	0.2	141.3	9.4
Warrants		34	—	38	15	-	-	-
Smaller Cos	□	123xd	—	123	78	2.7	117.4	-4.4
Warrants		38	—	38	14	-	-	-
Sphere Inc	□	22	+½	22	14	17.8	34.9	38.5
Zero Div Pf		87½	+½	87½	80¼	-	-	-
Sumit		61	—	61	38	2.8	94.3	35.8
TR City of Lon	□	137½	+½	140¼	126	4.3	132.1	-4.1
TR Euro Growth	♣□	104	—	108	78	1.6	117.5	11.5
Ptg Sub		56	—	58	27	3.1	-	-
TR Far East Inc	♣†□	141	+1	141	112	4.0	134.6	-4.6
Warrants		41	—	41	22	-	-	-
TR High Inc		121	—	121	102	6.2	114.5	-5.3
Sub	g	28	—	31	25	6.6	-	-
TR Pacific	♣□	147½	+2	147½	110	0.8	136.8	-7.8
TR Prop	♣□	28xd	—	26¾	17	4.3	32.1	18.6
[illegible]								

MERCHANT BANKS

	Notes	Price	+ or -	1993 high	1993 low	Mkt Cap£m
Barings 8pc Cns 2nd Pf		95½	—	108½	93	11.9
9¾pc Non-Cum Pf		118	+½	127½	113	48.4
Close Bros	C†	360	-1	370	250	168.4
Hambros	♣q□	337	+5	388	243	588.7
7½pc Cv Pf		139	—	140½	111½	208.5
Joseph (L)	♣	368	—	393	313	18.8
Kleinwort Benson	□	405	—	420	312	538.6
Rea Bros	♣□	42	—	47	39	18.5
Schroders	♣h	943	—	987½	457½	947.7
NV	h	808	—	815	387½	228.2
Singer & Fried	♣□	70	+1	70	48	134.7
Warburg (SG)	♣K□	724xd	+5	741	529	1,953
6pc Cv Pf		248½	+1½	280	185	109.7
Wintrust		240	+5	250	188	20.4

METALS & METAL FORMING

	Notes	Price	+ or -	1993 high	1993 low	Mkt Cap£m
ASW	N□	218	—	233	81	144.5
Apollo Metals	‡†	110xd	—	128	84	12.8
Ash & Lacy	♣	156	—	170	143	40.7
Billam (J)		244	—	300	129	3.95
Brit Steel	K□	103½	—	108	54	2,070
CI	□	25	—	28	17	21.6
Castings		183xd	—	187	158	38.8
Chamber & Hill		135	—	145	113	8.87
Cohen (A)		325	—	400	325	8.03
Cook (Wm)	□	203	+3	209	120	44.5
Cooper (F)	†□	71	—	77	43	25.2
Downiebrae	G	778	—	83	28½	13.5
Ferraris	‡†G	59	—	68	33	3.48
Firth (GM)	□	12	—	16½	9	4.05
[illegible]						

INVESTMENT COMPANIES

[illegible]

MISCELLANEOUS

[illegible]

MEDIA

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

GUIDE TO LONDON SHARE SERVICE

[illegible]

preliminary figures. official estimates for 1993. T Figures assumed. W Pro forma figures. Z Dividend yield to date.
s Dividend yield excludes a special payment. K Yield based on prospectus or other official estimates for 1992-93.
t Indicated dividend yield, p/e ratio based on latest annual earnings. L Estimated annualised yield, p/e based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. M Yield based on prospectus or other
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xt ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring +44 81-643 7181 (open 24 hours including weekends) or fax +44 81-770 0544, quoting the code FT3373. Reports will be sent the next working day, subject to availability. Please remember to state the weekly changing code above.

FT Cityline

Real time share prices and other stock market information is available through the FT Cityline International telephone service.
Annual subscription £250.00 stg.
Call +44 71-925 2128 for more details.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✠) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Smith & Williamson Unit Tst Mgrs (1600)F
1 Riding House St, London W1A3AS. 071-637 5377

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
S & W American ♦	5	259.4	259.4	272.2	-1.5	0.80
S & W Capital	5	118.6	118.6	127.2	-0.1	1.88
S & W Cash ♦	0	101.01	101.01	101.01	+0.01	5.25
S & W European	5	113.8	113.8	120.2	+0.9	1.08
S & W Far Eastern	5	151.4	153.0	161.8	-0.3	0.00
S & W Growth	5	126.6	127.4	134.8	+2.5	1.22
S & W Income	5	112.5	113.6	120.2	-0.1	4.57
S & W Magnum	5	125.0	125.0	134.2	-0.2	1.50
S & W Smlr Socs	5	318.9	324.0	342.8	-0.7	0.50
S & W Thoroughbred	5	144.4	144.4	155.1	-0.3	1.48

For Société Générale Touche Remnant see Henderson

Sovereign Unit Tst Mngrs Ltd (1000)F
12 Christchurch Rd, Bournemouth 0202 298422

Standard Life Tst Mngmt Ltd (0730)H
3 George St, Edinburgh EH2 2XZ 0800 393777

Robert Fleming Asset Mngmt Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Am Exempt	£608.15	617.25	-2.31	1.53
Gen Exempt	£154.37	157.82	+0.03	3.52
Jap Exempt	£625.35	636.51	+0.00	0.80
Pacific Exempt	£155.76	160.23	-1.01	1.59
Cond Euro Exempt	£118.51	121.81	+0.40	2.54

Foreign & Colonial Unit Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Balanced Acc June 8	184.4	192.0	+1.7	3.66
Balanced Inc June 8	183.1	190.5	+1.7	3.55
Latin American Acc June 9	100.9	102.1	+3.7	1.57

Funds in Court*

	Bid Price	Offer Price	+ or -	Yield Gross
Capital May 14	569.18	582.37	—	3.67
Gross May 14	212.86	214.57	—	9.79
High Yield May 14	338.40	341.13	—	7.62

* Restricted to monies under Court control

Govett (John) Unit Mngmt Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Exempt	109.41	113.74	+0.58	3.53

Henderson Unit Trust Management Ltd

INVESCO MIM Management Ltd

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Provident Life Assoc Ltd
Provident Way, Basingstoke RG21 2SZ 0256 470707

	Bid Price	Offer Price	+ or -	Yield Gross
Discretionary Fund		157.2	-0.1	-

Provident Mutual Life Assc. Assn.
Hills Way Stevenage Herts SG1 2ST 0438 732000

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Ord	418.0	440.0	+1.8	-
Managed Init	[illegible]	311.4	+1.3	-
Equity Ord	[illegible]	[illegible]	+4	-
Equity Init	442.8	[illegible]	+2.8	-
Index Linked Gilt Ord	194.0	204.2	+0.1	-
Index Linked Gilt Init	143.3	[illegible]	—	-
Overseas Equity Ord	336.8	[illegible]	+1.1	-
Overseas Equity Init	[illegible]	[illegible]	+0.8	-
Property Ord	227.2	[illegible]	+0.1	-
Property Init	160.8	[illegible]	+0.1	-
Fixed Interest Ord	[illegible]	273.3	+0.4	-
Fixed Interest Init	183.7	[illegible]	+0.2	-
Deposit Ord	[illegible]	[illegible]	+0.1	-
Deposit Init	139.1	[illegible]	—	-

Pension Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Ord	551.9	[illegible]	+2.9	-
Managed Init	390.4	410.9	+1.8	-
Equity Ord	854.2	[illegible]	+6.8	-
Equity Init	[illegible]	[illegible]	+4.6	-
Pen Ind Lkd Gilt Ord	220.8	[illegible]	+0.1	-
Pen Ind Lkd Gilt Init	163.2	171.8	+0.1	-
Overseas Equity Ord	391.4	412.0	+1.5	-
Overseas Equity Init	270.8	[illegible]	+1	-
Property Ord	290.2	[illegible]	+0.3	-
Property Init	205.3	216.1	+0.1	-
Fixed Interest Ord	337.8	[illegible]	+0.5	-
Fixed Interest Init	238.9	251.5	+0.3	-
Deposit Ord	287.7	302.8	+0.1	-
Deposit Init	203.5	214.2	—	-

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 071-405 9222

	Bid Price	Offer Price	+ or -	Yield Gross
Managed June 2	301.7	314.3	—	-

Prudential Corporate Pension Funds
1 Stephen St, London W1P 2AP 0734 494852

Scottish Amicable
150 St Vincent St, Glasgow 041-248 2323
Life Funds (First Series)

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	407.7	[illegible]	+0.90	-
Equity	511.1	[illegible]	+2.00	-
Property	239.4	252.0	—	-
International	401.9	423.1	-1.20	-
Japanese	118.5	[illegible]	—	-
Asia Pacific	140.8	148.3	-0.90	-
European	108.5	114.0	-0.50	-
American	139.3	146.7	-0.40	-
Fixed Interest	336.1	353.8	+0.50	-
Index-Linked Gilt	185.8	[illegible]	+0.10	-
Cash	220.0	231.6	—	-

Life Funds (Second Series)

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	113.5	119.5	+0.30	-
Equity	[illegible]	118.7	+0.50	-
Property	100.8	105.9	—	-
International	124.2	130.8	-0.40	-
Japanese	118.8	125.1	—	-
Asia Pacific	138.2	145.5	-0.90	-
European	107.4	113.1	-0.40	-
American	136.2	143.4	-0.40	-
Fixed Interest	126.4	133.1	+0.20	-
Index-Linked Gilt	118.7	125.0	+0.10	-
Cash	109.1	114.8	—	-

Pension Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Building Society	173.3	182.6	—	-
Managed (Init)	237.0	249.5	+0.70	-
Managed (Acc)	469.3	494.1	+1.40	-
Equity (Init)	267.4	281.5	+1.70	-
Equity (Acc)	529.6	557.5	+3.40	-
Property (Init)	142.6	150.1	—	-
Property (Acc)	282.4	297.3	—	-
International (Init)	339.1	281.7	-0.90	-
International (Acc)	473.6	[illegible]	-1.80	-
Fixed Interest (Init)	225.6	237.5	+0.30	-
Fixed Interest (Acc)	446.7	470.3	+0.60	-
Cash (Init)	153.9	162.1	-0.10	-
Cash (Acc)	305.1	321.2	—	-

Others

	Bid Price	Offer Price	+ or -	Yield Gross
Capital Guarantee Bond	100.1	105.4	-0.00	-

Scottish Equitable Life Assce. Soc.
28 St Andrew Sq, Edinburgh 031-556 9101

Sun Alliance Group - Contd.

Scottish Life Investments

Scottish Mutual Assurance plc

Scottish Provident Institution

Scottish Widows' Group

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Reliance Mutual

J Rothschild Assurance PLC

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

Albany International Assurance Ltd

CMI Insurance Co Ltd

Century Life International Ltd

Friends Provident International

Hill Samuel Intl Life Ltd

Isle of Man Assurance Ltd

Lombard International Group

Manulife International

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd - Contd.

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

Capital Trust Financial Management

Cheun de Vere PLC

ECU Terminal PLC

Fairmount Financial Services Ltd

Foster & Braithwaite Ltd

Hurstminster Financial Services (Pty) Ltd

Independent Financial Group PLC

Johnson Fry Asset Management Plc

Knight Williams & Company Ltd

Northern Rings & Partners

Pendleton May Financial Services Ltd

Rowborough Financial Management Ltd

Charles Stanley & Co Ltd

J. B. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Lloyd George Management

Orion Fund Limited

CANADA (SIB RECOGNISED)

CSC Asset Management

GUERNSEY (SIB RECOGNISED)

Baring Intl Fd Managers (Guernsey) Ltd

Sutherland Fund Mngrs (Guernsey) Ltd

Equitable International Fund Managers Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Lazard Fund Managers (CI) Ltd

Lion World Fixed Income Fund

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Offshore Fd Mgrs Ltd

Schroder Investment Management (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

Arab Bank Fund Managers (Guernsey) Ltd

CIBC Fund Managers (Guernsey) Ltd

Henderson Admin. (Guernsey)

Investment Portfolio Svs (CI) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Merrill Lynch Company

Rothschild Asset Mngt (CI) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

Yamaichi Capital Mngmt (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

GAM Fund Management Ltd

GT Asset Management (Ireland) Ltd

Morgan Grenfell Investment Funds Ltd

Pacific International Fund Plc

Singer & Friedlander Inv Funds Ltd

Swiss Life International Fund

IRELAND (REGULATED)(**)

BT Fund Managers (Ireland) Ltd

Bank of Ireland Unit Managers Ltd

Baring International Fd Mgrs (Ireland) Ltd

Chemical Fund Administrators Ltd

Gartmore Fund Managers International Ltd

Kleinwort Benson Capital Mngt (Ireland) Ltd

Morgan Grenfell Fund Mngrs (Ireland) Ltd

Paine Webber Offshore Funds Plc

J. Rothschild International Assce plc

Ulster Bank Investment Services

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

Allied Dunbar Intl Fund Mgrs (1660)F

Asset Global Funds Ltd (120)

CMI Fund Managers (IoM)

Gartmore Fund Managers (IoM)

Sun Life International (IoM) Ltd

ISLE OF MAN (REGULATED)(**)

ATC Fund Management (IoM) Ltd

AXA Equity & Law Intl Fund Mgs

Appleton Financial Advisers Ltd

City Financial Admin (IoM) Ltd

Gartmore Fund Managers (IoM) Ltd

John Govett Management (IoM) Ltd

R & H Fund Managers Ltd

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

Barclays International Funds

Capital House Fund Mgrs (CI) Ltd

John Govett (Channel Islands) Ltd (1000)F

Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F

Lloyds Bank (CI) U/T Mgrs

Midland Bank Fund Managers (Jersey) Ltd

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Prudential Fund Managers (Jersey) Ltd
PO Box 193, St Helier, Jersey 0534 70009

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income (A & B)	5	209.8	209.8xd	220.2	+0.4	3.29
Growth (C & D)	5	318.1	318.1	332.8	+0.7	5

Royal Trust Jsy Fd Mngt Ltd (1400)F
PO Box 428, St Helier, Jersey 0534 27441

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Govt Secs Fd	4	55.47	55.47xd	57.78	+0.06	5.66

Standard Bank Fund Mngmt (Jersey) Ltd
PO Box 583, St Helier, Jersey CI 0534 67557

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
International Bond	5		$- 16.11	17.06	+0.11	4.52
Sterling Bond	3		£- 9.740xd	10.08	+0.01	6.65
Sterling Cap			£- 42.50	42.82	+0.02	5.41

TSB Trust Funds (CI)
PO Box 538, St Helier, Jersey 0534 503002

JERSEY (REGULATED)(**)

Barclays Intl Funds

Banque Scandinave a Luxembourg SA
16 Boulevard Royal, L-2449, Luxembourg

Barclays Diversified Portfolio
14 rue Aldringen L-1118 352 4780 2939

Barclays Inv Funds (Luxembourg)
41 Avenue de la Gare L-1611 010 352 404344

INVESCO International Limited - Contd.

Jupiter Tyndall Global Fund

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar/yen breaks new ground

THE YEN moved to another post war high against the dollar in early European trading yesterday following the lack of any visible progress in the US/Japanese trade talks at the weekend, *writes James Blitz.*

In Monday's Asian trading, the dollar came under intense selling pressure, moving from around Y106 at the start of the session to around 105.20 by the close in Tokyo.

Shortly after London opened, the dollar moved down to Y105.00 and stayed at those levels for much of the day. But as trading in the UK capital drew to a close, the yen was again under pressure, touching Y105.02. There was no sign of intervention from the Federal Reserve throughout the day.

The most obvious reason for yesterday's move was the lack of substantive success in the US/Japanese trade talks at the weekend. The US has pressed Japan to set an explicit target for cutting its huge trade surplus with the US, but the lack of any agreement led dealers to think that Washington would press ahead with its dollar depreciation policy.

Mr Mark Austin of Midland Global Markets in London believes that the pressure on the US currency results from the huge quantity of dollars which Japanese exporters are still holding onto, and which they have not yet hedged.

Mr Austin believes that these companies have refrained from selling dollars in the hope that the yen might reverse its rise. But as the Japanese currency continues to appreciate, these dollars are being sold.

A strong view in the market is that Y100 is now within sight. At least one dealer was prepared to bet yesterday that a clear break of Y100 might even cause a new round of panic among Japanese investors, forcing the dollar down much further.

But some European investors believe that the yen has reached such high levels that it is risky to buy the Japanese currency from here. Mr Jim O'Neill, head of research at Swiss Banking Corporation in London, believes that it is particularly expensive for European dealers to climb on board the yen band-wagon, now that the currency is at Y64.71 to the D-Mark.

With so much attention on the yen, there was little scope for dealers to push European currencies very far. The dollar was stuck in range trading against the D-Mark, with the market awaiting this week's consumer price inflation data in the US and the Bundesbank council meeting on Thursday. The dollar closed at DM1.6240 from a previous DM1.6255.

The French franc closed unchnaged at FFr3.363 in spite of another cut in French interest rates. Sterling closed ½ a pfennig up against the D-Mark at DM2.4800. Mr O'Neill of Swiss Bank expects the pound to move sharply following Mr Kenneth Clarke's keynote Mansion House speech today. "With little happening on the European crosses, the speech will get more attention than it deserves," he said.

£ IN NEW YORK

June 14	Latest	Previous Close
£ Spot	1.5260-1.5270	1.5215 1.5225
1 month	0.35-0.34pm	0.35 0.34pm
3 months	1.01-0.99pm	0.99 0.97pm
12 months	3.13-3.05pm	2.95 2.85pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	June 14	Previous
8.30 am	79.4	79.6
9.00 am	79.4	79.6
10.00 am	79.4	79.6
11.00 am	79.4	79.6
Noon	79.4	79.6
1.00 pm	79.3	79.6
2.00 pm	79.4	79.5
3.00 pm	79.4	79.4
4.00 pm	79.4	79.3

CURRENCY RATES

Jun 14	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	-	0.928230	0.788559
US Dollar	3.00	1.41880	1.29452
Canadian $	5.17	1.81493	1.54480
Austrian Sch	6.75	16.2524	13.7685
Belgian Franc	6.25	47.4766	40.2010
Danish Krone	8.25	8.82565	7.47166
D-Mark	7.25	2.31290	1.95554
Dutch Guilder	6.25	2.59825	2.19830
French Franc	10	7.79305	6.57730
Italian Lira	10.00	2116.24	1777.07

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jun 14	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	192.854	185.858	-3.63	4.37	61
Spanish Peseta	154.250	149.975	-2.77	3.46	48
Irish Punt	0.808628	0.801627	-0.87	1.47	42
Dutch Guilder	2.19672	2.18320	-0.18	0.75	11
Belgian Franc	40.2123	40.2010	-0.03	0.62	5
D-Mark	1.94964	1.95554	0.30	0.28	-15
Danish Krone	7.43679	7.47166	0.47	0.12	-18
French Franc	6.53883	6.57730	0.59	0.00	-29

Ecu central rates set by the European Commission. Currencies are in descending relative strength.

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls July	Calls September	Calls December	Puts July	Puts September	Puts December
116	-	-	-	-	0.16	-
117	1.48	1.79	1.87	0.03	0.35	0.94
118	0.59	1.12	1.31	0.13	0.67	1.38
119	0.13	0.65	0.88	-	1.16	-
120	-	0.34	0.58	-	-	-
Open int	21,765	146,889	37,482	26,636	114,962	23,542

Estimated volume 93,157 † Total Open Interest 403,781

† All Yield & Open interest figures are for the previous day.

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williman Secs	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	Unibank plc	6
Bank of Scotland	6	Heritable & Gen Inv Bk	6	●United Bk of Kuwait	6
Barclays Bank	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Western Trust	6
●Brown Shipley	6	Hongkong & Shanghai	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Julian Hodge Bank	6	Wimbledon & Sth West	7
Citibank NA	6	●Leopold Joseph & Sons	6	Yorkshire Bank	6
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

Bundesbank ignored

THE BANK of France yesterday cut both of its most important interest rates on a day which underlined how European monetary policy is de-coupling itself from the Bundesbank's strategy, *writes James Blitz.*

The French central bank yesterday cut its intervention rate by 25 basis points to 7.25 per cent, and its 5-10 day lending rate by the same amount to 8.25 per cent. The move was France's eighth cut in interest rates in two months.

UK clearing bank base lending rate 6 per cent from January 26, 1993

The move was widely anticipated by the market and had virtually no impact on French cash and futures prices. But the importance of yesterday's move was that it followed a long period in which the Bundesbank had kept interest rate policy on hold, amid a weakening of the D-Mark in the European exchange rate mechanism.

That potential weakness of the D-Mark yesterday encouraged two other central banks to make important announcements.

The Portuguese authorities cut their mop-up rate by 75 basis points to 11.25 per cent. Mr Erik Hoffmeyer, the Danish central bank chief, was also reported as saying that he would like to cut his country's interest rates as soon as possible, and would not necessarily follow the Bundesbank.

French short-term interest rates have been below those in Germany for several weeks now. The French intervention rate, for example, was some 35 basis points below the German repo rate, while 3-month French francs were yesterday afternoon some 22 basis points below 3-month D-Marks on the bid side.

Mr Nicolas Sarkozy, the French budget minister, said there was still room for a decline in French rates, even if German rates remain on hold. Mr Jean Michel Charpin, chief economist of BNP in Paris, said there was a chance that the 3-month spreads could widen in the near future. But, further out, he expected the rates to converge again as the D-Mark and French franc remained tied to a parity.

Sterling markets were quiet in the run-up to Mr Kenneth Clarke's first Mansion House Speech today as chancellor. Three-month money eased to 5⅞ per cent from 5$\frac{15}{16}$ per cent last Friday, following a small £500m shortage. The September short sterling contract rose 2 basis points to close at 94.17.

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

FINANCIAL FUTURES AND OPTIONS

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

WORLD STOCK MARKETS

AUSTRIA [illegible]

BELGIUM/LUXEMBOURG [illegible]

DENMARK [illegible]

FINLAND [illegible]

FRANCE [illegible]

GERMANY [illegible]

ITALY [illegible]

NETHERLANDS [illegible]

NORWAY [illegible]

SPAIN [illegible]

SWEDEN [illegible]

SWITZERLAND [illegible]

SOUTH AFRICA [illegible]

JAPAN [illegible]

AUSTRALIA [illegible]

HONG KONG [illegible]

MALAYSIA [illegible]

SINGAPORE [illegible]

CANADA

TORONTO

4 pm close June 14

[illegible]

MONTREAL

4 pm close June 14

[illegible]

Total Sales 22,084,400 shares

INDICES

NEW YORK

DOW JONES	June 11	June 10	June 9	June 8	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3505.01	3491.72	3511.93	3510.54	3554.83 (27/5)	3241.95 (20/1)	3554.83 (27/5/93)	41.22 (2/7/32)
Home Bonds	107.55	107.61	107.58	106.84	107.67 (7/5)	103.49 (11/1)	501.97 (27/4/93)	54.99 (1/10/81)
Transport	1548.46	1528.80	1546.77	1551.60	1683.08 (16/4)	1453.84 (4/1)	1683.08 (16/4/93)	12.32 (8/7/32)
Utilities	240.35	240.17	240.82	240.98	247.68 (16/4)	217.14 (8/1)	247.68 (16/4/93)	10.50 (8/4/32)

DJ Ind. Day's High 3536.01 (3538.22) Low 3479.27 (3461.83) (Theoretical)◆
Day's High 3514.97 (3516.38) Low 3491.72 (3483.97) (Actual)◆

STANDARD AND POOR'S

	June 11	June 10	June 9	June 8	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	447.26	445.37	445.78	444.71	456.33 (10/3)	429.05 (8/1)	456.33 (10/3/93)	4.40 (1/6/32)
Industrials♥	515.97	514.61	514.89	514.40	524.99 (10/3)	498.48 (26/4)	524.99 (10/3/93)	3.62 (21/6/32)
Financial	42.51	41.88	41.84	41.39	46.67 (13/4)	39.89 (8/1)	46.67 (13/4/93)	8.64 (1/10/74)
NYSE Composite	246.24	245.53	245.77	245.15	251.36 (10/3)	236.21 (8/1)	251.36 (10/3/93)	4.46 (25/4/42)
Amex Mkt. Value	434.32	435.80	436.36	437.18	440.95 (4/6)	395.84 (8/1)	440.95 (4/6/93)	29.31 (9/12/72)
NASDAQ Composite	693.19	688.05	689.24	687.74	708.85 (4/2)	645.87 (26/4)	708.85 (4/2/93)	54.87 (31/10/72)

	June 11	June 4	May 28	year ago (approx.)
Dow Industrial Div. Yield	2.93	2.89	2.90	3.03

	June 9	June 2	May 26	year ago (approx.)
S & P Industrial div. yield	2.51	2.46	2.48	2.89
S & P Indl. P/E ratio	25.42	25.90	25.88	28.44

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Galen Health	7,113,800	18⅞	+ 3⅞
Chase Manhattan	6,045,700	29⅝	+ ¼
ADV Micro	3,806,400	21⅛	- 1⅛
Wal-Mart	3,582,400	27⅛	+ ⅛
Pepsico	3,474,900	36⅝	+ 1
Dept. 56	2,732,400	19⅝	—
Citicorp	2,331,500	27½	+ ⅛
Holly Resid	2,328,200	23	—
Total	2,318,100	24⅛	- ⅛
Am Public	2,299,800	13⅝	+ ⅜

TRADING ACTIVITY

† Volume Millions	June 11	June 10	June 9
New York SE	253.473	230.594	242.388
Amex	17.918	17.724	19.550
NASDAQ	235.205	242.277	263.048
NYSE			
Issues Traded	2,533	2,512	2,551
Rises	1,060	789	1,026
Falls	803	1,029	879
Unchanged	670	694	646
New Highs	39	39	39
New Lows	29	33	42

CANADA

TORONTO	June 11	June 10	June 9	June 8	1993 HIGH	1993 LOW
Metals & Minerals	2935.13	2967.23	2931.33	2928.38	2972.25 (9/2)	2743.31 (21/1)
Composite	3868.50	3875.44	3858.72	3862.72	3894.80 (4/6)	3275.80 (21/1)
MONTREAL Portfolio	1897.65	1905.27	1896.80	1889.34	1915.71 (26/5)	1720.97 (21/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ◆ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

	June 14	June 11	June 10	June 9	1993 HIGH	1993 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	(c)	1714.3	1712.5	1709.1	1760.40 (28/5)	1495.00 (13/1)
All Mining (1/1/80)	(c)	740.5	738.8	738.3	801.90 (28/5)	584.70 (13/1)
AUSTRIA						
Credit Aktien (30/12/84)	343.42	341.46	(c)	338.85	357.78 (9/3)	308.28 (14/1)
Traded Index (2/1/91)	850.19	837.73	(c)	825.30	880.17 (3/3)	712.06 (15/1)
BELGIUM						
BEL20 (1/1/91)	1224.44	1213.55	1212.84	1207.44	1289.11 (7/4)	1125.46 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	300.30	298.36	298.87	298.71	305.06 (14/5)	281.90 (4/1)
FINLAND						
HEX General (28/12/90)	1110.2	1116.1	1122.7	1099.2	1248.30 (21/5)	843.10 (22/1)
FRANCE						
CAC General (31/12/81)	524.80	521.81	524.31	520.55	547.37 (30/3)	471.24 (13/1)
CAC 40 (31/12/87)	1918.84	1920.43	1911.22	1915.23	2035.81 (30/3)	1772.21 (28/1)
GERMANY						
FAZ Aktien (31/12/58)	658.69	655.63	(c)	654.39	675.70 (10/3)	586.92 (14/1)
Commerzbank (1/12/53)	1873.3	1862.4	(c)	1858.0	1906.10 (10/3)	1694.30 (14/1)
DAX (30/12/87)	1691.98	1680.88	(c)	1673.07	1717.40 (11/3)	1516.50 (13/1)
HONG KONG						
Hang Seng Bank (31/7/64)	(c)	7266.74	7260.59	7338.08	7447.24 (27/5)	5437.80 (4/1)
IRELAND						
ISEQ Overall (4/1/88)	1571.87	1573.74	1586.00	1588.05	1591.74 (16/4)	1191.19 (11/1)
ITALY						
Banca Com. Ital. (1972)	527.44	531.89	533.24	525.90	559.17 (20/5)	446.33 (8/1)
MIB General (4/1/93)	1164.0	1175.0	1177.0	1161.0	1236.00 (20/5)	982.00 (11/1)
JAPAN						
Nikkei (16/5/49)	20387.35	20500.95	20493.32	(c)	21076.00 (3/6)	16287.45 (25/1)
Tokyo SE (Topix) (4/1/68)	1658.48	1681.04	1652.26	(c)	1678.13 (3/6)	1250.06 (25/1)
2nd Section (4/1/68)	2347.55	2358.09	2351.48	(c)	2384.97 (7/6)	1651.72 (28/1)
MALAYSIA						
KLSE Composite (4/4/86)	743.16	746.29	737.53	734.93	746.29 (11/6)	614.28 (13/1)
NETHERLANDS						
CBS Tll.Rtn.Gen.(End 1983)	339.8	338.1	337.6	338.5	339.80 (14/6)	295.70 (4/1)
CBS All Shr (End 1983)	223.0	221.8	221.7	222.2	223.50 (19/4)	198.80 (13/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	781.24	777.20	773.44	776.89	827.94 (6/5)	669.93 (27/1)
PHILIPPINES						
Manila Comp (2/1/85)	1581.27	1580.49	1578.06	1581.84	1654.39 (5/5)	1270.68 (4/1)
SINGAPORE						
SES All-Singapore (2/4/75)	459.62	461.68	463.84	464.09	468.48 (31/5)	394.10 (13/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1595.0♥	1684.0	1626.0	1584.0	1885.00 (24/5)	775.00 (5/1)
JSE Industrial (28/9/78)	4580.0♥	4598.0	4591.0	4560.0	4645.00 (10/2)	4333.00 (19/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	759.47	768.48	773.39	777.25	777.25 (9/6)	605.93 (6/3)
SPAIN						
Madrid SE (30/12/85)	258.49	257.91	257.55	256.29	262.58 (27/5)	215.80 (4/1)
SWEDEN						
Affarsvariden Gen. (1/2/37)	1070.2	1074.5	1081.8	1090.7	1098.30 (27/5)	879.10 (28/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	1014.8	1017.6	1021.9	1026.4	1028.40 (9/6)	904.80 (11/1)
SBC General (1/4/87)	785.8	788.9	789.2	788.8	789.80 (9/6)	678.70 (11/1)
TAIWAN**						
Weighted Price (30/6/66)	4177.20	4219.14	4223.01	4289.72	5013.29 (7/4)	3088.43 (9/1)
THAILAND						
Bangkok SET (30/4/75)	858.24	853.14	844.01	845.88	996.44 (25/1)	818.84 (1/6)
WORLD						
M.S. Capital Intl.(1/1/70) $	576.1*	574.2	570.2	570.5	576.30 (3/6)	488.80 (13/1)
Euro Top-100 (26/6/90)	984.80	981.77	983.61	981.99	984.80 (14/6)	862.73 (13/1)

**Saturday June 12: Taiwan Weighted Price; 4,221.97, Korea Comp Ex. 765.86.
♥ Subject to official recalculation. *Calculated at 15.00 GMT.

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Monday, June 14, 1993

	Stocks Traded	Closing Prices	Change on day
Toshiba Corp	4.2m	714	-16
Nippon Steel	3.7m	405	-2
Dainippon Pharm	3.3m	1,400	-20
Kawasaki Hvy Ind	3.0m	475	+1
Hitachi	2.6m	865	-4
Ricoh	2.3m	824	-4
Sumitomo Bank	2.1m	2,360	+30
NEC Corp	2.0m	1,000	-30
Canon Inc	1.9m	1,330	-20
Tokyo Elec Power	1.9m	3,560	+70

4 pm close June 14

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

[illegible]

Continued on next page

4 pm close June 14

NYSE COMPOSITE PRICES

Continued from previous page

- S -

1993 High	1993 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
22	15½	S Anita Rt	1.36	7.6	17	138	18⅛	18	18	+¼
20¾	16¾	SCOR US Cp	0.32	1.9	209	117	16¾	d16¼	16⅜	+½
28	20	SPS Techno	1.28	4.9	19	38	26¾	26⅛	26¼	-¼
14½	12⅞	Sabine Rit	1.04	7.9	10	85	13¼	13⅛	13¼	+¼
13⅝	8⅞	Safecard	0.20	1.5	13	1225	u13¾	13⅜	13¾	+¼
23½	16⅞	Safeg'd Sc			8	74	17⅝	17¼	17⅝	+⅜
24⅝	16¾	SafetyKln	0.36	2.1	24	429	17⅞	17⅜	17½	-⅛
16½	10⅞	Safeway			29	672	15	14⅜	14½	-⅜
3⅝	2	SafewayWt96				39	3¼	3	3	-⅛
44½	37½	St.JoePaper	0.20	0.5	82	24	39	38⅞	38⅞	+⅛
37⅞	31	St.Jost.SP	1.76	4.8	14	23	36½	36¼	36½	
89¼	75	St Paul's	2.80	3.5	12	546	79⅝	79¼	79⅜	+⅛
9⅝	7⅞	Salant Crp			5	22	8⅞	8⅝	8⅝	-⅛
75¼	42½	Sallie Mae	1.20	2.8	9	11741	45¼	43⅛	43⅜	-⅞
13⅞	13	Salomon Br	0.36	2.7		113	13⅜	13¼	13⅜	
41⅞	34	SalomonInc	0.64	1.8	19	156	36½	36⅜	36½	
26⅞	23¼	SanDgo G&E	1.48	5.9	14	290	25½	25⅛	25¼	-⅛
4⅜	3½	SantaFeEDu	0.40	10.3	193	12	3⅞	3¾	3⅞	
11⅞	9⅛	SantaFeERS	0.16	1.6	987	600	10¼	9⅞	9⅞	-⅜
40¾	35¾	SantaFePac	2.80	7.4	13	27	38¼	37⅞	37⅞	
18	12¾	SantaFeStn	0.10	0.6	18	2422	16½	16	16	-¼
31⅛	23⅜	Sara Lee	0.58	2.3	16	3629	25⅛	24⅞	25	-⅛
47⅞	40⅛	Scana Corp x	2.74	5.8	15	247	u47⅛	46⅝	46⅞	-⅛
49⅝	43	Scecorp	2.80	5.8	14	1463	48⅝	48⅛	48¼	-⅜
36⅞	28⅞	SchererRP			24	78	29⅜	29⅛	29⅜	+⅜
69⅝	51¾	SheringPl	1.80	2.6	18	3797	69¼	67¾	69	+⅞
68⅞	55⅜	Sch'berger	1.20	1.9	24	13210	65¾	64⅛	64½	-⅛

NASDAQ NATIONAL MARKET

4 pm close June 14

AMEX COMPOSITE PRICES

4 pm close June 14

FINANCIAL TIMES

Tuesday June 15 1993

AMERICA

US markets cautious ahead of CPI data

Wall Street

US share prices were flat to firmer across the board yesterday morning as dealers and investors braced themselves for the second set of important inflation data in three days, *writes Patrick Harverson in New York.*

At 1pm, the Dow Jones Industrial Average was up 6.09 at 3,511.10. The more broadly based Standard & Poor's 500 was 0.45 higher at 447.41, while the Amex composite was 0.33 lower at 433.99, and the Nasdaq composite up 2.69 at 695.88. Trading volume on the NYSE was 123m shares by 1pm, and declines outnumbered rises by 889 to 874.

After last Friday's promising producer prices report for May (the producer prices index was flat for the month), which helped assuage fears that a resurgence in inflation would force up interest rates, the markets opened in a broadly positive mood. Further gains in Treasury prices, which pushed bond yields lower, also helped improve equity investor sentiment.

The advance in stocks, however, was modest, and the Dow struggled all morning to post double-digit gains in light trading. A fear of trading ahead of today's consumer prices data was behind the markets' subdued showing.

Although analysts are forecasting that the consumer price index for May will have risen by only 0.2 per cent, dealers and investors were aware that a surprisingly strong CPI number could derail both stocks and bonds.

Among individual stocks, Eastman Kodak jumped $2⅞ to $53½ in volume of 1.3m shares after the company unexpectedly announced plans for a meeting with investors and analysts today. Kodak did not explain why it was calling the meeting, but analysts speculated that the company may announce some form of restructuring.

Technology stocks, which have been see-sawing wildly in recent trading sessions, remained mixed in heavy trading yesterday. Hewlett-Packard climbed $1⅞ to $88⅝, Compaq put on $1¼ at $55¼, and Motorola added $⅞ at $85¼, while Digital Equipment held steady at $43, Unisys slipped $⅛ to $11⅝ and IBM fell $⅝ to $51⅞.

US Surgical fell $3 to $26⅝ in volume of 1.4m shares as investors got the first chance to respond to Friday's forecast by the company that because of declining sales it will post a loss in the second quarter of the year. At the same stage a year ago, US Surgical made a profit of 58 cents a share.

Johnson Products jumped $5⅞ to $24⅞ on the American Stock Exchange after Ivax announced that it was buying the company for somewhere between $61m and $73m. Johnson, however, said it may consider other offers.

Canada

TORONTO fell back at midday, pressured by falling precious metals and transportation issues. The TSE-300 index slipped 6.04 to 3,860.45 in volume of 21.3m shares valued at C$204.4m.

A fall in gold prices took the gold and silver index down 151.26, or 1.9 per cent to 7,797.93.

Falling precious metals issues were led by Euro-Nevada, which slipped C$1 to C$26½ in moderate volume. American Barrick fell C$⅝ to C$26⅞.

SOUTH AFRICA

JOHANNESBURG saw a decline in gold shares on worries that the bullion price was due for a correction. The index lost 89, or 5.4 per cent to 1,562, as industrials shed 6 to 4,590 and the overall 45 to 3,904. Vaal Reefs fell R15 to R275.

EUROPE

Senior bourses feature mixture of performances

BOURSES produced a varied performance yesterday, especially where the peripheral markets were concerned, *writes Our Markets Staff.*

MILAN got little support from Friday's after hours discount rate cut, as attention remained firmly fixed on Ferruzzi and Montedison. Rumours over the weekend suggesting that two candidates had turned down invitations to head the group's restructuring programme added to the general mood of despondency as the Comit index ended 4.45 lower at 527.44.

Montedison was suspendedyesterday after a fall of 14 per cent to L840. Attempts to fix the prices were later aborted as unofficial trading saw the stock quoted as low as L750. Ferruzzi sank another L73, or 10 per cent to L659.

The banking sector was another loser on an initially negative reaction to the repeal of legislation preventing banks from taking stakes in industry. This had been long expected as part of the government's privatisation process, but commentators noted that it had come at a bad time: there were worries, they said, that banks might be forced into taking stakes in companies to which they were already exposed, rather than making new investments.

As a result two of the banks on the list for early privatisation saw sharp falls: Credito Italiano by L158 to L2,535 and BCA by L204 to L5,038.

PARIS had already discounted a 25 basis point repo rate cut towards the end of last week, so reaction to yesterday's event was muted. The CAC-40 index advanced to a day's high of 1,928, before drifting back to close 3.59 lower at 1,916.84. Turnover was moderate at FFr2.2bn.

Expectations that a joint venture between Matra Hachette and Cap-Gemini Sogeti would land a US airforce order saw their respective shares gain FFr3.50 and FFr3.00 to FFr123.50 and FFr190.70.

Peugeot, which announced plans to raise up to FFr2bn on the bond market, advanced FFr6 to FFr527.

FT-SE - Actuaries Share Indices

June 14 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1183.33	1183.05	1183.71	1182.82	1182.96	1182.97	1181.86	1181.59
FT-SE Eurotrack 200	1235.19	1238.84	1238.56	1238.62	1236.74	1237.11	1235.43	1234.83

	June 11	June 10	June 9	June 8	June 7
FT-SE Eurotrack 100	1181.85	1181.45	1181.59	1168.70	1167.78
FT-SE Eurotrack 200	1232.37	1230.25	1230.01	1218.08	1219.98

Base value 1000 (26/10/90) High/day: 100 - 1183.85; 200 - 1238.87 Low/day: 100 - 1181.18 200 - 1234.41.

AMSTERDAM's CBS Tendency index rose 1.3 to 108.4. Lehman Brothers forecast that interest rates in the Netherlands, now the lowest in Europe, "will remain below those in Germany for the foreseeable future".

Hoogovens continued to improve following last week's gains, yesterday putting on Fl 1.60 to Fl 33.70 while another cyclical, DSM, rose Fl1.60 to Fl 86.20.

Interest in cyclical stocks has developed following a Goldman Sachs note in which Mr Philip van den Berg forecasts that they will outperform the market by 5-10 per cent over the next 12 months, estimating that cyclicals are presently undervalued by about 30 per cent.

FRANKFURT continued to pursue its technical rally, the DAX index closing 11.00 higher at 1,691.98.

Turnover rose from DM5.8bn to DM5.9bn. There were sizeable individual gains in Siemens, DM8.30 better at DM627.30 as dealers said that the electricals giant had lagged behind the market recently, and in Lufthansa, up DM4.40 at DM107.90.

But as on Friday, the outstanding sector gain came in carmakers. BMW rose DM10.50 to DM483.50 and Daimler by DM10 to DM597.50.

Ms Deborah Boys, technical analyst at James Capel in London, said that between two and three weeks ago the sector was approaching the historic lows it had seen in 1988, 1991 and 1992. "If it had broken below previous lows," she said, "we would have been looking at a major downgrading involving a large sector of the market, and investors were not prepared to accept this."

ZURICH continued its consolidation, the SMI index dropping 14.1 to 2,294.2. Chemicals saw profit-taking, with Sandoz certificates, down SFr60 at SFr3,170.

BRUSSELS rose on hopes of a Bundesbank interest rate cut this Thursday, the Bel-20 index ending 10.89 higher at 1,224.44 in volume of 809m shares.

The video screen producer, Barco, rose BFr95, or 6.3 per cent to BFr1,595. However, the interest rate sensitive majors also moved well, Electrabel rising BFr90 to BFr5,880 in a strong utilities section and, in banks, Générale de Banque putting on BFr140 to BFr7,800.

VIENNA extended last week's pickup with a gain of 1.5 per cent, the ATX index closing 12.46 higher at 850.19. The market was led up by Verbund, Austria's national electricity supplier, which leapt by Sch40, or 7.3 per cent to Sch590 on aggressive buying by a foreign investor.

WARSAW went limit up instead of limit down, excess demand forcing the bourse to suspend trade in 11 stocks as the WIG index jumped 253, or 9.6 per cent to 2,890.8. Because of the suspensions, turnover was the lowest in three months at about 42bn zloty.

ISTANBUL responded to the appointment of Mrs Tansu Çiller as prime minister with a 10.5 per cent gain in the market index, up 925.16 to 9,760.67.

Ms Nur Pekin of Schroders in London said that the market was enthusiastic about the appointment since Mrs Çiller had been responsible for legislation earlier this year which had encouraged equity investment, and had led to a rise in the market index of some 136 per cent since the start of the year.

ASIA PACIFIC

Nikkei under pressure as yen hits a new record high

Tokyo

THE YEN'S rise to a new post-war high soured investor confidence and share prices lost ground on futures-led selling, in the thinnest trading for three months, *writes Emiko Terazono in Tokyo.*

Volume fell to 250m shares, its lowest since March 3. A total of 645.7m shares changed hands last Friday on futures-led trading. The Nikkei average lost 103.60 to 20,397.35 after a high of 20,560.08 in the morning session and a low of 20,351.47 in the afternoon.

Declines led advances by 737 to 276, with 172 issues unchanged. The Topix index of all first section stocks shed 1.58 to 1,659.46. In London the ISE/Nikkei 50 index edged up 0.50 to 1,246.06.

The dollar closed at Y105.20, up Y1.12. Uncertainty over the effects on corporate profits unnerved investors, who remained on the sidelines. Meanwhile, research divisions of leading Japanese brokers revised down profits forecasts for the current year to March due to the recent strength of the yen.

Most forecasts, however, are based on an exchange rate of around Y110 to Y114 to the dollar. Daiwa Research Institute said a rise of Y1 against the dollar would depress pre-tax profits on an all-industry basis by 0.4 per cent.

Exporters were hit by the higher yen, with Toshiba, the day's most active issue, falling Y16 to Y714 and Hitachi dipping Y4 to Y865. However, electric power utilities, which import fuel, were among the top gainers, the sector rising by 1.7 per cent. Tokyo Electric Power advanced Y70 to Y3,860.

Daiei, the supermarket chain, announced that it will absorb three affiliated retailers: Chujitsuya, listed on the Tokyo SE first section, Uneed Daiei, listed on the second section of the Osaka SE, and the unlisted Dainaha. Trading was suspended for the three companies.

Ichiken, a construction company belonging to the Daiei group, surged ahead Y110 to Y1,110, and other retailers advanced on hopes of similar moves in the industry. Matsuya appreciated Y38 to Y780.

The higher yen encouraged hopes of lower interest rates. Banks firmed on hopes of wider profit margins, with Industrial Bank of Japan gaining Y10 at Y3,040 and Bank of Tokyo Y40 at Y1,510.

Konami, the video game maker, climbed Y160 to a year's high of Y4,510 on hopes of strong earnings. The company's move to change the minimum trading unit of its stock to 100 shares from 1,000 also encouraged investors.

In Osaka, the OSE average receded 151.59 to 22,934.59 in volume of 11.6m shares.

Roundup

THE MUTED share price tone in Tokyo was mostly echoed in the Pacific Basin region, where Hong Kong and Australia were closed for public holidays.

SINGAPORE was led down by banks and shipyards as spillover selling from last Friday dampened trade. The Straits Times Industrial index slipped 10.42 to 1,842.63, losers including UOB Foreign, DBS Foreign, Sembawang Shipyard and Sembawang Maritime.

Volume expanded from 227.95m to 311.18m shares. Malaysian stocks continued to see active trading amid strong over-the-counter speculative buying in selected issues such as Renong and Idris.

KUALA LUMPUR eased back after last Friday's high on Prime Minister Mahathir Mohamad's visit to China, and the market's projection of lucrative deals for Malaysian companies.

The KLSE composite index closed 3.13 down on the day at 748.16 after setting an intraday all-time high of 753.54 which, as in Singapore, was reflected in speculative activity in smaller Malaysian companies. Volume climbed from 635.9m to 808.2m shares.

SEOUL fell for the fourth consecutive session on profit-taking in thin trading, the composite stock index weakening 6.39 to 759.47 in turnover down from Won644.06bn to Won596.95bn.

TAIWAN's weighted index dropped 43.87 to 4,177.20 as turnover fell to T$11.7bn, its lowest in a full session since January.

Conflict within the ruling Nationalist party ahead of local government elections at the end of this year, and an official investigation into irregular stock trade, continued to hurt sentiment.

KARACHI marked Pakistan's budget day with the KSE index 1.27 higher at 1,183.73, but, in BOMBAY, last week's depressive kerb trade phenomenon continued.

Indian brokers reported no buy enquiries at all as the BSE index closed 436.36 lower at 2,357.64, and as major blue chips fell around 1 per cent further on the kerb.

BANGKOK defied the general trend in the region, rising strongly across the board in active trade following Saturday's parliamentary defeat of the opposition's motion of no confidence in the government.

The SET index ended 15.10, or 1.8 per cent, higher at 868.24 in turnover of Bt7.40bn, the biggest daily trade in four months.

Europe offsets declines in US and Japan

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1993	Start of 1993	Start of 1993
Austria	+2.29	+4.37	-13.01	+6.45	+4.90	+5.70
Belgium	+2.06	-1.01	+3.30	+9.04	+7.57	+8.38
Denmark	+1.90	-2.60	-6.45	+15.30	+15.81	+16.69
Finland	-4.06	-3.66	+49.36	+38.30	+29.82	+30.81
France	+2.68	+3.06	-0.13	+5.41	+5.96	+6.78
Germany	+2.38	+2.08	-8.38	+9.44	+8.23	+9.04
Ireland	+0.73	+2.34	+17.54	+30.45	+19.93	+20.84
Italy	+0.85	-0.55	+20.73	+25.95	+24.53	+25.48
Netherlands	+2.26	+2.17	+8.01	+12.03	+11.21	+12.05
Norway	-2.46	-4.09	-8.38	+10.02	+10.00	+10.83
Spain	-1.10	+1.52	+5.17	+21.13	+10.66	+11.50
Sweden	-1.50	-1.65	+14.88	+10.00	+7.20	+8.02
Switzerland	+1.20	+5.94	+21.91	+12.92	+13.30	+14.16
UK	+1.14	+0.78	+10.71	+2.23	+2.23	+3.01
EUROPE	+1.39	+1.52	+6.84	+7.63	+6.94	+7.76
Australia	-1.08	+1.32	-0.71	+8.35	+8.33	+7.13
Hong Kong	+1.83	+4.21	+20.84	+33.45	+32.68	+33.69
Japan	-0.78	+3.14	+24.04	+24.94	+45.98	+47.09
Malaysia	+2.48	+4.98	+49.62	+30.48	+31.76	+32.77
New Zealand	-1.70	+4.11	+6.35	+8.17	+13.40	+14.27
Singapore	-0.69	+3.08	+12.87	+18.95	+20.32	+21.24
Canada	-0.64	+0.17	+6.34	+10.47	+8.91	+9.74
USA	-0.72	+1.72	+9.69	+2.55	+1.78	+2.55
Mexico	-0.79	-2.05	-8.73	-12.31	-13.13	-12.48
South Africa	-0.47	+0.38	+5.60	+25.48	+31.01	+32.00
WORLD INDEX	-0.20	+2.12	+12.66	+10.85	+15.27	+16.15

† Based on June 11th 1993.

By John Pitt

EUROPE'S senior equity markets showed solid gains last week, counteracting negative movements in Finland, Norway, Sweden and Spain. Elsewhere in the world, falls in the US and Japan – the former unnerved all week by unfounded worries regarding a rise in inflation – helped to push the FT-Actuaries World Index slightly lower.

Commenting on the situation in Europe, Mr Andrew Bell, a strategist at Barclays de Zoete Wedd in London, remains cautious. He believes that, while the underlying feeling is for further rate cuts, the likelihood is that, in the short term, falls will only offset more bad monetary news.

On a 12-month view, he forecasts German interest rates at around 4 per cent; but he sees no alteration from the present "salami slice" approach, employing incremental cuts rather than aggressive reductions.

This latter point is taken up by the broker UBS, which observes, in its latest global research weekly, that the Bundesbank is trying to bring down short term rates "in such a way as to not undermine its own credibility and that of the D-Mark . . . With inflation remaining well above its medium term objective and fiscal policy out of kilter, an aggressive easing would look like panic".

Spain eased over the week following the re-election of the Socialist government. Goldman Sachs notes that investors should expect short term underperformance since many market participants had been forecasting a victory for the Partido Popular.

While reducing its short term weighting in Spain, Goldman remains overweight on a 12-month view, given what it calculates as the market's current 35 to 40 per cent undervaluation.

Malaysia featured among rising Asian markets on hopes of trade deals with China as Mr Mahathir Mohamad, the prime minister, prepared to visit Beijing.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY JUNE 11 1993								THURSDAY JUNE 10 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (68)	134.04	+0.6	130.27	89.88	113.28	131.10	+0.1	3.82	133.27	130.04	89.47	113.22	131.01	144.19	117.39	149.92
Austria (18)	149.15	+1.9	143.99	99.32	125.20	124.96	+1.2	1.57	145.43	141.90	97.63	123.55	123.49	150.96	131.16	174.89
Belgium (42)	144.40	+0.7	140.34	96.79	122.03	119.12	+0.1	4.80	143.47	139.99	96.31	121.88	119.06	156.76	131.19	143.66
Canada (108)	126.90	-0.4	123.33	85.07	107.24	117.62	-0.4	2.86	127.43	124.33	85.54	108.24	118.11	129.97	111.41	128.44
Denmark (33)	217.18	+1.2	211.07	145.59	183.54	183.14	+0.5	1.23	214.62	209.40	144.08	182.32	182.29	225.64	185.11	238.45
Finland (23)	91.06	+1.7	88.50	61.05	76.95	104.15	+0.2	1.17	89.56	87.38	60.12	76.08	103.94	100.92	65.50	78.71
France (97)	157.13	+1.1	152.71	105.33	132.78	134.45	+0.4	3.34	155.41	151.63	104.32	132.01	133.96	167.36	142.72	161.46
Germany (62)	113.45	+1.0	110.26	76.08	95.87	95.87	+0.5	2.21	112.32	109.60	75.41	95.42	95.42	117.10	101.59	124.73
Hong Kong (55)	296.20	+0.2	287.87	198.56	250.33	293.88	-0.2	3.21	295.73	288.54	198.52	251.24	293.43	301.61	218.82	245.18
Ireland (15)	164.08	+0.1	159.46	109.99	138.66	153.77	-0.6	3.51	163.87	159.89	110.01	139.21	154.71	170.40	129.28	157.60
Italy (73)	68.85	+0.3	66.91	46.15	58.18	76.05	-0.4	2.23	68.64	66.98	46.08	58.31	76.39	72.82	53.78	70.24
Japan (470)	154.49	+0.7	150.14	103.56	130.57	103.56	+0.5	0.80	153.48	149.75	103.03	130.40	103.03	154.49	100.75	102.77
Malaysia (69)	347.14	+0.7	337.37	232.70	293.36	343.66	+1.2	1.96	344.74	336.36	231.41	292.85	339.52	347.14	251.66	238.86
Mexico (18)	1442.33	-1.4	1401.76	966.88	1218.91	4929.61	-1.4	1.37	1462.29	1426.77	981.65	1242.24	5000.24	1725.81	1410.30	1587.51
Netherland (24)	169.65	+0.8	164.88	113.72	143.37	140.81	+0.1	3.91	168.25	164.16	112.95	142.93	140.68	172.75	150.39	164.39
New Zealand (13)	49.01	+0.9	47.63	32.86	41.42	47.93	-0.1	4.62	48.57	47.39	32.61	41.26	47.98	49.82	40.56	46.82
Norway (22)	152.62	+1.1	148.33	102.31	128.98	142.26	+0.5	1.85	150.98	147.32	101.36	128.26	141.61	166.21	137.71	184.69
Singapore (38)	258.67	-0.3	251.40	173.41	218.60	191.86	-0.3	1.80	259.54	253.24	174.23	220.48	192.41	262.72	207.04	228.15
South Africa (60)	195.43	-3.6	189.99	131.04	165.20	197.19	+0.6	2.55	194.25	189.53	130.40	165.01	196.05	201.01	144.72	243.24
Spain (46)	130.02	+1.1	126.36	87.16	109.87	122.58	+0.3	4.87	128.61	125.49	86.34	109.26	122.18	132.82	115.23	154.17
Sweden (36)	178.83	+0.3	173.80	119.88	151.13	190.67	-0.7	1.77	178.30	173.97	119.70	151.47	192.09	184.06	149.70	193.91
Switzerland (53)	129.01	+1.3	125.38	86.49	109.04	115.94	+0.0	1.88	127.37	124.28	85.51	108.22	115.92	129.36	108.91	108.21
United Kingdom (219)	177.54	+0.4	172.54	119.00	150.02	172.54	+0.1	4.03	176.74	172.45	118.64	150.13	172.45	181.99	162.00	193.57
USA (519)	182.64	+0.4	177.50	122.44	154.35	182.64	+0.4	2.80	181.92	177.50	122.13	154.55	181.92	186.27	175.38	196.89
Europe (763)	146.55	+0.7	142.43	98.24	123.88	134.38	+0.1	3.31	145.47	141.93	97.65	123.58	134.22	149.02	133.92	153.86
Nordic (114)	166.26	+0.7	161.59	111.46	140.51	157.28	-0.3	1.59	165.11	161.10	110.84	140.26	157.73	171.77	142.13	179.88
Pacific Basin (713)	157.79	+0.6	153.35	105.78	133.35	110.14	+0.5	1.07	156.81	153.00	105.27	133.21	109.60	157.79	105.89	109.14
Euro-Pacific (1476)	153.06	+0.7	148.76	102.60	129.35	120.69	+0.3	1.95	152.04	148.35	102.08	129.15	120.28	153.06	117.26	127.24
North America (627)	179.17	+0.4	174.13	120.12	151.44	178.21	+0.4	2.81	178.52	174.19	119.86	151.69	177.57	182.38	171.51	184.47
Europe Ex. UK (544)	127.22	+0.9	123.64	85.30	107.53	112.79	+0.2	2.83	126.02	122.96	84.62	107.08	112.61	128.85	112.51	130.09
Pacific Ex. Japan (243)	190.79	+0.4	185.42	127.02	161.25	176.00	+0.2	3.13	190.12	185.50	127.65	161.52	175.57	194.08	152.70	171.82
World Ex. US (1662)	153.36	-0.6	149.05	102.82	129.61	122.66	+0.3	1.98	152.41	148.71	102.32	129.48	122.28	153.36	118.51	129.51
World Ex. UK (1962)	160.65	+0.5	156.13	107.70	135.78	138.06	+0.4	2.11	159.78	155.89	107.26	135.74	137.54	161.34	134.22	136.19
World Ex. So. Af. (2121)	162.04	+0.5	157.48	108.63	136.95	140.76	+0.3	2.29	161.17	157.25	108.20	136.93	140.28	162.74	137.29	140.46
World Ex. Japan (1711)	168.23	+0.5	163.49	112.78	142.19	161.88	+0.3	2.98	167.42	163.35	112.40	142.25	161.46	170.05	157.47	162.67
The World Index (2181)	162.15	+0.5	157.59	108.70	137.04	141.24	+0.3	2.29	161.28	157.37	108.28	137.02	140.76	162.86	137.32	141.13

Latest prices were unavailable for this edition.